

REED INTERNATIONAL

ANNUAL REPORT

29 March 1981

AR43

NOT FOR PUBLICATION

before 00.30 hours (B.S.T.) Tuesday, 30th June 1981

Corporate Publicity Department, Reed House, 83 Piccadilly, London W1A 1EJ. 01-499 4020



Sunday People

Womensociety

PETS

Scottish Daily Record

IGHT
NAL

ler's
Mail

BOARD

Woman

BC
WAYS GUIDE

CAHNERS PUBLISHING

FABRICS

HOMES
and gardens

PLASTIC PACKAGING

**WOMAN'S
OWN**

D.I.Y. PRODUCTS

WALLCOVERINGS

TWYFORDS
BATHROOMS

**CARTON
PACKAGING**

Daily Mirror

**Reed
Corrugated
Cases**

**International Computaprint
Corporation**

KONINKLIJKE SPHINX

STATIONERY & OFFICE EQUIPMENT

**FARMERS
WEEKLY**

HONEY

Hamlyn Books

cerami
tiles

**PLASTIC
PLUMBING**

Sanderson

Polycell

POSTER

**COMMER
MOTO**

PAPER

Butterworths

CROWN
PAINT

**PAPER
SACK**

amateur
photographer

Paper and Packaging

REED GROUP

PAPER AND BOARD MILLS

Reed Paper & Board – 8 mills and 1 converting factory
Reed Corrugated Cases Nederland, Paper Division – 1 mill in Holland
Reed Deeron – 2 mills and 2 flexible packaging plants in USA, 1 mill in Canada

PAPER, BOARDS AND PACKAGING MERCHANTING

Spicer-Cowan – 19 branches
R H Robinson
Spicer-ESM – Eire

WASTE PAPER

J & J Maybank – 11 UK branches and 1 in Europe

TRANSPORT AND SHIPPING

Reed Transport
Pioneer Shipping & Forwarding

ENGINEERING AND DEVELOPMENT

Reed International Consultants

CORRUGATED CASES

Reed Corrugated Cases – 14 factories
Reed Corrugated Cases Nederland, Packaging Division – 5 factories in Holland

CARTONS

Field – 5 factories

PAPER SACKS, PLASTIC PACKAGING AND MACHINERY

Reed Medway Sacks
Reed Plastic Packaging
Reed Medway Packaging Systems

STATIONERY, OFFICE SUPPLIES AND EQUIPMENT

Spicers
Spicer-Hallfield
Alacra
Capital Spicers – Eire (50%)

REED INC

FORMERLY REED PAPER LTD, CANADA

PAPER AND BOARD

Quebec Mill Division
Newsprint, paperboard and sulphite pulp

Chemicals Division

Lignosulphonate chemicals and pigments

PACKAGING

Flexible packaging – 1 factory

Publishing and Printing

INTERNATIONAL PUBLISHING CORPORATION

MAGAZINES

IPC Magazines – 74 Magazines, 4 Library Series, 64 Juvenile Annuals
Editorial Offers

BUSINESS PUBLICATIONS

IPC Business Press – 157 Business and Technical Journals, Directories and Travel Guides, Exhibitions

BOOKS

Hamlyn Publishing Group – Adult and Children's Books, Paperbacks, Cookery Cards and other Mail Order Clubs
Butterworth & Co (Publishers) – UK, Australia, Canada, New Zealand, South Africa and USA.
Legal, Medical, Scientific and Technical Books

PRINTING

Odhams (Watford), Index Printers, Century Litho Plate, Chapel River Press, James Cond Printers, Thomson Photo-Litho, Wardland, Fleetway Printers, QB (50%)

OUTDOOR ADVERTISING

London and Provincial Poster Group
Adshel (50%)

OVERSEAS COMPANIES

Cahners Publishing Company – USA
Compagnie Europeenne de Publication – France (25%)
Konradin-Verlag Robert Kohlhammer – Germany (25%)
IPC Business Press (Australia) – Australia
IPC Business Press (New York) – USA
International Computaprint – USA

MIRROR GROUP NEWSPAPERS

DAILY NEWSPAPERS

Daily Mirror
Scottish Daily Record
The Sporting Life

SUNDAY NEWSPAPERS

Sunday People
Sunday Mirror
Sunday Mail
Sunday Independent

WEEKLY PUBLICATIONS

Ten weekly newspapers

Building and Home Improvement

REED DECORATIVE PRODUCTS

Paint

Crown – 2 factories in UK and 3 factories overseas
General Paint – 1 factory in Canada

Wallcoverings

Crown – 5 mills in UK and 1 mill overseas
Birge – 1 mill in USA
Sunworthy – 1 mill in Canada
Reed Wallcoverings – 5 distribution centres in USA

Printing ink, adhesives, printing rollers, pattern books, engineering etc
6 factories

Textiles

Sanderson – 3 mills in UK plus distribution centre in Canada, 1 makeup and converting unit in UK

Carpets

Sanderson – 2 mills

Do-it-yourself

Polycell – 1 factory in UK and 6 units overseas

Brushes

Briton Chadwick – 2 factories

REED BUILDING PRODUCTS

BATHROOM PRODUCTS

Ceramic sanitaryware, taps and shower cubicles
Twyfords

Ceramic sanitaryware, tiles and refractories
Koninklijke Sphinx – Holland, Belgium, France, Germany

Baths

Edward Curran

Shower fittings and mixing valves

Walker Croswell – UK, France, Germany, Canada

PLASTIC PRODUCTS

Pipes and fittings
Key Terrain

Electrical conduit and trunking systems
Gifflex-Key

Cladding
Celuform

Toolmaking

Westwood Tools

Trade mouldings

L & P Plastics

This chart is a general indication of the divisional operations of Reed International, its principal subsidiaries and also associated companies, their products and services. It does not constitute part of the Report and Accounts proper and includes changes which have taken place since 29 March 1981, as a consequence of which it is not identical with the information on page 20.

REED INTERNATIONAL

ANNUAL REPORT

29 March 1981

Directors

- * SIR ALEX JARRATT CB B Comm *Chairman*
- * G S G WITHERINGTON MA *Deputy Chairman*
- * L A CARPENTER *Chief Executive, Publishing and Printing*
- M K COLLINS BSc MICE *Chief Executive, Reed Building Products Limited*
- * J D CORMIE MA FCA *Finance Director*
- E F HILLAN ACMA *A Deputy Chairman, Reed Group Limited*
- SIR KEITH SKINNER Bt *Chief Executive, IPC Business Press Limited*
- * D T WILKINS *Chief Executive, Paper and Packaging*

Note: K J MORTON MA FCA has been appointed a Director with effect from 1 July 1981
(see page 11 of the Directors' Report)

Non-Executive

- S G GRINSTEAD FCA *Deputy Chairman and Group Managing Director, Grand Metropolitan Limited*
- J H HARVEY-JONES MBE *A Deputy Chairman, Imperial Chemical Industries Limited*
- J H MACDONALD CA *Group Treasurer, The Royal Dutch/Shell Group of Companies*

Secretary: G G Stocks CA

Registered Office: Reed House, 83 Piccadilly, London W1A 1EJ

Registrars: Tudor Registrars Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Auditors: Price Waterhouse & Co, Southwark Towers, 32 London Bridge Street, London SE1 9SY

* *Member of the Executive Committee of the Board*

Notice of Meeting

Notice is hereby given that the Seventy-eighth Annual General Meeting of Reed International Limited will be held at The Institution of Electrical Engineers, Savoy Place, London WC2R 0BL on Tuesday 28 July 1981 at 12 noon for the following purposes:

1. To consider the Company's Accounts for the 52 weeks ended 29 March 1981 and the Reports of the Directors and Auditors thereon.
2. To declare a final dividend on the Ordinary Shares.
3. To re-elect as Directors:
 - (a) L A Carpenter
 - (b) M K Collins
 - (c) J H Harvey-Jones
 - (d) S G Grinstead
 - (e) K J Morton
4.
 - (a) To re-appoint Price Waterhouse & Co. as Auditors of the Company.
 - (b) To authorise the Directors to fix the remuneration of the Auditors.

As special business to consider and, if thought fit, pass the following Resolutions which will be proposed as Ordinary Resolutions:—

5. That the authorised share capital of the Company be increased from £135,000,000 to £150,000,000 by the creation of 15,000,000 additional unclassified shares of £1 each.
6. That the Directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of Section 14 of the Companies Act 1980 during the period expiring on 27 July 1986 to exercise all or any of the powers conferred upon them by the Articles of Association to allot relevant securities (as defined in the said Section) at any time or times during such period up to a maximum amount of relevant securities equal to the amount of the authorised but unissued share capital of the Company at the conclusion of the Meeting at which this Resolution is passed and the foregoing authority shall allow the Company to make an offer or agreement before the expiry of such authority which would or might require relevant securities to be allotted after the expiry of such authority.

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.

By Order of the Board
G G Stocks, *Secretary*
Reed House
83 Piccadilly London W1A 1EJ
29 June 1981

Notes

1. Only holders of Ordinary Shares are entitled to attend or be represented at the Meeting.
2. The instrument appointing a proxy must reach the Company's Registrars, Tudor Registrars Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4UP, not less than forty-eight hours before the time for holding the Meeting.
3. A Form of Proxy is enclosed for holders of Ordinary Shares.
4. Copies of all contracts of service under which Directors are employed by the Company or with any of its subsidiary companies (other than those determinable within one year without payment of compensation) are available for inspection by members at the Registered Office of the Company during the usual business hours on any weekday (Saturdays and public holidays excluded) and will on 28 July 1981 be available for inspection at The Institution of Electrical Engineers, Savoy Place, London WC2R 0BL from 11.45 a.m. until the conclusion of the Annual General Meeting.

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Financial Calendar

Financial period end	29 March 1981
Preliminary results for the period issued	2 June 1981
Annual Report for the period issued	29 June 1981
Annual General Meeting	28 July 1981
First quarter's results issued	End July 1981
Second quarter's results issued	Early November 1981
Third quarter's results issued	Early February 1982
Dividends payable:	
Ordinary shares—Interim	6 January 1981
—Final	11 August 1981
Preference shares (cumulative)	
4½% (now 3·15% plus tax credit)	1 June and 1 December
5½% (now 3·85% plus tax credit)	1 June and 1 December
5% (now 3·50% plus tax credit)	8 June and 8 December
7% (now 4·90% plus tax credit)	8 June and 8 December

Analyses of Ordinary Shareholders

	Holders		Shares held (000's)		%	
	1981	1980	1981	1980	1981	1980
Analysis of Ordinary Shareholders						
Individuals	49,131	54,458	28,778	32,354	25.9	28.9
Nominee companies	748	813	41,656	35,721	37.2	32.0
Insurance companies and banks	281	297	24,059	23,242	21.5	20.8
Pension funds	118	136	9,711	9,684	8.7	8.6
Investment and unit trusts	217	210	3,727	6,130	3.3	5.5
Charities, local authorities, colleges, etc	187	212	2,683	3,541	2.4	3.2
Commercial and industrial companies	246	274	1,150	1,074	1.0	1.0
	<u>50,928</u>	<u>56,400</u>	<u>111,764</u>	<u>111,746</u>	<u>100.0</u>	<u>100.0</u>

	Holders	Shares held (000's)	%
Analysis of Ordinary Shareholdings			
1-250	26,666	3,200	2.9
251-500	11,578	4,247	3.8
501-1,000	7,629	5,515	4.9
1,001-5,000	4,258	7,657	6.8
5,001-50,000	500	8,372	7.6
50,001-1,000,000	281	56,772	50.7
Over 1,000,000	16	26,001	23.3
	<u>50,928</u>	<u>111,764</u>	<u>100.0</u>

Income and Corporation Taxes Act 1970

The close company provisions of this Act do not apply to the Company. For the purposes of capital gains tax the market values of the Company's stocks and shares at 6 April 1965 were:

Ordinary Shares	257.5p
4½% Cumulative Redeemable Preference Shares	63.75p
5½% Cumulative Redeemable Preference Shares	78.75p
4½% Debenture Stock 1979/84	80
6% Debenture Stock 1979/84	91
6¾% Debenture Stock 1987/92	100

Results in Brief for Five Years

£ million

	1981	1980	1979	1978	1977
External sales	1,480	1,516	1,611	1,623	1,488
Trading profits – CCA	10	50	53	58	29
– HCA	55	107	107	106	96
Profit (loss) attributable to shareholders – CCA	(1)	30	6	0	5
– HCA	38	75	43	28	27
Net movement of funds from operations	(19)	8	33	15	(59)

Capital Invested

Shareholders' funds – CCA	631	611	582	567	544
– HCA	498	495	434	420	412
Loan capital	186	216	311	377	399
Net indebtedness	141	115	226	384	434
Capital invested – CCA	822	845	914	994	1,048
– HCA	689	729	766	847	916

Ratios

Trading profit					
% External sales – CCA	0.7	3.3	3.3	3.6	1.9
– HCA	3.7	7.0	6.6	6.6	6.4
% Capital invested – CCA	1.3	5.9	5.8	5.8	2.9
– HCA	8.0	14.7	14.0	12.5	10.5
Net assets per ordinary share – CCA	560p	543p	517p	504p	483p
– HCA	442p	440p	385p	372p	365p
Earnings per ordinary share – CCA	(0.6)p	26.4p	5.0p	0.0p	4.0p
– HCA	34.1p	66.7p	38.0p	24.8p	25.8p
Net dividend per ordinary share	13.0p	13.0p	8.0p	8.0p	13.0p
Dividend cover – CCA	–	2.1	0.7	0.0	0.3
– HCA	2.6	5.1	4.7	3.1	2.0

Statement by the Chairman

During the past year, British industry has been beleaguered by a combination of factors more adverse than any experienced since the war: a legacy of high people costs from the wage and salary rounds of 1978 and 1979; a further large jump in energy costs; an unusually strong pound; and weak consumer demand accompanied by massive de-stocking throughout the industrial supply system.

The effect on Reed International's results has been dramatic. The value of our UK sales, which form nearly 80% of the total, rose by only 1% whereas inflation increased on average by 13%. The trading profit from all our operations was cut from £107 million in 1980 to £55 million in 1981, with by far the greatest reduction occurring in the UK.

There are, however, two points to stress. First, the trading profit was struck after a loss of some £12 million caused by industrial action early in the year and after exceptional costs of £23 million (compared with £12 million last year) arising from plant closures and business rationalisations. Secondly, the effects of recession have by no means been the same on the many activities that make up the Company.

In the activities that accounted for most of the closure and rationalisation costs, the effect of the recession has been to expose structural weaknesses which we knew to exist, which have been mentioned by me in previous Statements, and which we had hoped we could tackle economically over a somewhat longer time frame. This was not to be. The speed at which energy costs and sterling have risen has seriously undermined our ability to manufacture commodity paper grades in any quantity in this country; a major reduction in capacity during the year, especially for newsprint, has been the consequence.

Similarly, a sharp reduction in sales at home and abroad, combined with a costly manufacturing and distribution base, have led to serious problems for our wallcoverings and textiles businesses; extensive action has now been taken including the closure of a number of operations and a reduction of 2,500 in the people employed here and overseas. I believe we have overcome the worst of the problems in these businesses, and at a considerable cost. However, they will continue to be closely

monitored and further action taken where necessary.

The recession has also had its effect on some of our most successful businesses. Probably the worst hit has been packaging, as a result of de-stocking across the whole range of our customers whether in the UK or Europe. It is a tribute to our reputation for quality and service and to the considerable investment we have put into our factories in recent times, that we have managed to keep all our operations going during the year and produce a respectable profit at the end of it. Magazine publishing has also had a difficult year, which started with costly labour disputes and continued with reduced advertising and circulations for most titles. Here again, however, the inherent strengths of these operations enabled them to produce a better result than economic circumstances might have dictated.

Some of our businesses were relatively unaffected by the recession. For example, national newspapers had a good year with the major titles marginally increasing their market shares; Butterworths achieved a substantial improvement in sales and profit; and Twyfords increased their share of the UK sanitaryware market as well as boosting exports. Other companies, although affected by lower sales and sharp competition, nevertheless produced good profits. These included Crown Paints and Polycell, whose performance was a welcome offset to the losses incurred in wallcoverings and textiles, and Key Terrain, which increased trading profits despite severe competition for their plastic plumbing products.

The contribution to profit from our overseas operations has been particularly valuable. There was only one black spot, namely the US wallcoverings operation which not only made a trading loss but also had to undertake a costly rationalisation programme. For the rest, there were very good performances from the Quebec and Dutch mills, the paint and wallcoverings operations in Canada, and from publishing in the United States. Each of these operations is being further developed so that we can build on the success already achieved: there are important capital programmes underway at Quebec and the De Hoop mill in Holland; a new manufacturing installation is

Statement by the Chairman

being prepared for wallcoverings in Toronto; and we have been adding to our American publishing operations by a series of small, carefully selected, acquisitions.

In fact, despite all the difficulties we have, as a matter of policy, dedicated an increased amount of capital to the business during the last year. Capital expenditure amounted to £64 million compared with CCA depreciation of £51 million. We also spent £17 million on acquisitions, particularly in publishing and packaging, and this does not include the agreement to purchase The Berrows Organisation which was put before the Monopolies Commission in April. This last fulfils an objective we have had for some time, to add local newspapers to the broad spectrum of publishing that we already undertake so successfully in the UK.

Our purpose in giving high priority to these expenditures is two-fold: to strengthen our existing businesses so that they may be better able to maintain, and where possible increase, their market shares in the more competitive trading environment we foresee for the future; and to add new growth points, both at home and overseas, to offset the maturity of some of the businesses we are already in.

We were able to finance these expenditures as well as buy out the minority interests in our Canadian operations thus bringing them fully under our control, with only a marginal increase in our debt/equity ratio. This was primarily due to very tight control being exerted over our other usages of cash which, in turn, caused the reduction in cash flow from our operations to be much less than the fall in their trading profit.

We have also this year undertaken the review of the Company's assets, foreshadowed in last year's Report. The surplus derived from the revaluation of physical assets has enabled us to write down the large goodwill item by £100 million, leaving at 1 April 1980 only the goodwill attributed to publishing in the Balance Sheet. We have also taken what we believe to be a more realistic view of the carrying value of UK paper mills and these, too, have been extensively written down. The outcome is a balance sheet that is far closer to the reality of the business than we had previously.

In summary, this has been a very difficult twelve months, and the reduction in the Company's trading profit, especially in the UK, has been an acute disappointment after the efforts made by so many people to produce the record trading profit of the previous year. However, it has had its good sides, too:

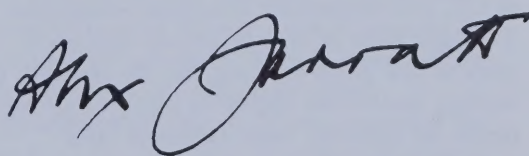
we have faced up to and acted upon the structural weaknesses in the Company that were so dramatically emphasised by the recession;

we can be heartened by the way in which our successful businesses have withstood the erosion of their markets and be grateful to the responsive and professional management that has made this possible;

we have continued to strengthen the Company by a deliberate policy of new investment, whether by way of capital expenditure or acquisition;

we still possess significant cash holdings, substantial unused facilities, and have a debt/equity ratio—in accord with our reconstructed Balance Sheet—of 32%.

In other words, I believe that we have survived 1980 reasonably well. Personally, I do not expect the trading environment, certainly in the UK and probably overseas, to improve significantly during the next twelve months. I cannot see where, on present evidence, any major up-turn in economic activity is likely to come from be it investment, home consumer demand or exports. What I do believe to be possible during this time, however, is a re-emergence of confidence by companies that have come through the most difficult patch in their post-war histories, have learned a great deal from the experience, have already taken on board much of the financial cost of that experience, and can thus look forward to a more positive year than the one from which they have emerged. I place Reed International in their number.



Alex Jarratt

Directors' Report

The Directors present their Annual Report, together with the Accounts of the Company, for the 52 weeks ended 29 March 1981.

Principal Activities

Reed International Limited is a holding company, its principal investments being in the United Kingdom, North America and on the continent of Europe.

The principal activities of its subsidiaries are in three main product areas:

Paper and Packaging –

- the manufacture of paper and board from pulp and waste paper;
- the manufacture and marketing of a wide range of paper based and plastic packaging and stationery;

Publishing and Printing –

- the publishing and printing of newspapers, consumer and business magazines, books and business directories, outdoor advertising, the organising of consumer and trade exhibitions;

Building and Home Improvement Products –

- the production and marketing of wallcoverings, paint, furnishing fabrics and DIY home improvement products; the manufacturing and marketing of ceramic sanitaryware and tiles, baths, shower equipment and plastic pipes and fittings.

Financial Review

Business Environment

At the beginning of the financial year, industrial action by printers and journalists caused significant disruption in publishing and in parts of the packaging activities. It is estimated that the resulting loss of production and cancellation of issues reduced trading profit by £12 million.

The progressive severity of the economic recession had increasing impact on the results of UK and continental European companies. The high price of energy greatly increased costs in UK paper-making and the strength of sterling limited the ability to improve selling prices. In addition, high exchange rates severely curtailed the profit from exports in many sectors of the UK businesses and increased competition from imports. By contrast, the continued weakness of the Canadian dollar against the US dollar benefited pulp and paper-making in Canada and the Quebec Mill had a most successful year.

Rationalisation

Papermaking in the UK and wallcoverings both in the UK and USA have been unprofitable activities and a programme of mill closures and retrenchment has continued to reduce the scale of these businesses to an appropriate level for future viability. Rationalisation costs charged against trading profit as Exceptional Items totalled £23 million (1980: £12 million).

Consolidated Results

Sales for the 52 weeks to 29 March 1981 were £1,480 million compared with £1,516 million last year which included £56 million of sales by activities subsequently divested. The increase in the sales of continuing activities was only 1% compared with an average inflation rate in the UK of 13%. Lower volumes in Paper, Packaging and Decorative Products were offset by increases in Publishing and Newspapers.

Historic Trading Profit for the 52 weeks to 29 March 1981 was £55 million (1980: £107 million) after exceptional costs of £23 million (1980: £12 million). The profit before tax was £50 million (1980: £100 million) and profit attributable to shareholders before extraordinary items was £38 million (1980: £75 million).

Current Cost Trading Profit was £10 million (1980: £50 million) after exceptional costs of £26 million (1980: £12 million). Profit before tax was £12 million (1980: £55 million).

Taxation

With lower profits in the UK, the revised basis for stock relief together with the benefit of capital allowances on the high level of expenditure on fixed assets has resulted in a net tax credit for the year of £4 million but £5 million has been provided for Advance Corporation Tax not recoverable in one year giving a net provision of £1 million.

Overseas, the brought forward tax losses in Canada have been largely utilised. Prior year losses are still available in the USA but, with low overall earnings, are not yet being absorbed. The total overseas rate of taxation was 30% (1980: 19%).

The effective rate on total consolidated pre-tax profit was 22% compared with 24% last year.

Dividends

The Board has decided to recommend a final

Directors' Report

dividend of 9p per ordinary share. Together with the interim of 4p already paid, the proposed final dividend will make a total of 13p for the year, the same as paid last year.

The chart on this page shows the dividends paid over the last ten years, adjusted for inflation.

Subject to approval at the Annual General Meeting, which will be held on 28 July 1981, the final dividend will be paid on 11 August 1981 to shareholders on the register on 3 July 1981 and, subject to the completion of the acquisition of The Berrow's Organisation Limited, to which reference is made later in this report, to the allottees of the 4,700,000 shares to be issued as consideration for the said acquisition.

Inflation Accounting

The requirements of the Statement of Standard Accounting Practice No 16 on Current Cost Accounting have been adopted and CCA results are presented together with historic results throughout this report.

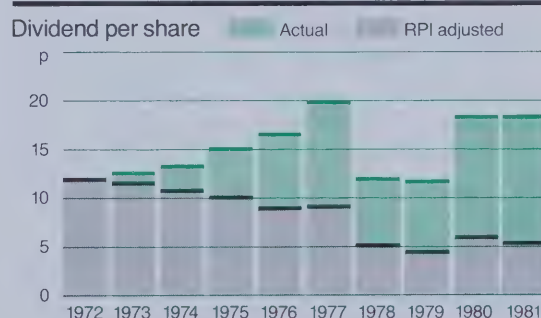
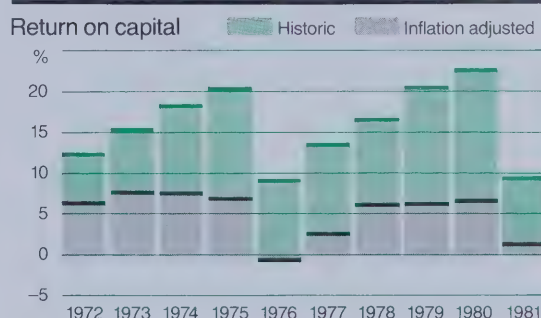
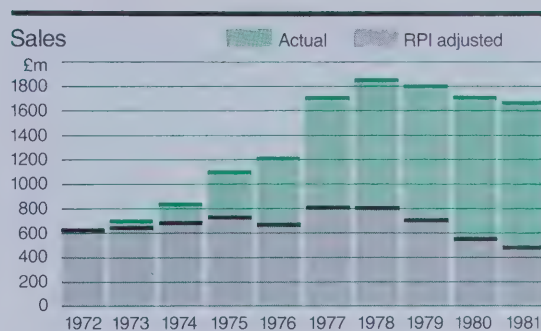
The Directors consider that the CCA results give a valid indication of the performance of the Company under inflationary conditions.

Review of Assets

Last year, the Directors announced their intention to incorporate the Current Cost Accounting values of land and buildings in the Historic Balance Sheet and to review the value of Goodwill. After confirmation of the CCA values at 1 April 1980 by outside professional surveyors, the HCA value of properties other than UK paper mills was increased by £85 million and Goodwill written down by £100 million. The HCA balance of Goodwill at 1 April 1980 of £61 million related to the Group's publishing interests and is now incorporated in the CCA Balance Sheet at the same value.

As part of this review, the Directors examined the values of all the fixed assets of the UK paper mills and have adopted carrying values appropriate to the circumstances of the UK paper industry. This resulted in a net write-down in the historic balance sheet of £0.5 million. In the CCA balance sheet, the comparative change from replacement cost values to recoverable amounts represents a reduction of £62 million.

This review of the balance sheet value of assets is regarded by the Directors as being



outside the scope of trading activities in the current year. The resultant net write-down of £15 million has been reported as an Extraordinary Item in the HCA Accounts and a net amount of £1 million has been charged to Reserves in the CCA Accounts. Details are given in Note 2 to the Accounts on page 27.

Cash Flow, Indebtedness and Interest

The Statement of Source and Application of Funds incorporating current cost data on page 26 shows that funds generated by operations fell short of current financing requirements (largely interest, taxation and dividends) by £19 million compared with an inflow of £8 million last year. Although capital expenditure and tax payments exceeded the levels of the preceding year the reduction in cash flow from operations was small in relation to the fall in trading profit due to reduced working capital requirements caused by low levels of activity and tight control.

The debt/equity ratio at the end of the year was 32%. There have been significant changes

Directors' Report

to the HCA balance sheet values of land and buildings and goodwill as a result of the review of assets referred to above. In the absence of the revaluation, the ratio would have been 40% (1980: 34%).

Net debt increased during the year from £115 million to £141 million. The increase was largely accounted for by expenditure on acquisitions (£17 million) and on the purchase of the minority interests in Canada (£14 million). Loan capital was reduced from £216 million to £186 million with £11 million of the reduction caused by exchange rate movements.

Exchange losses amounted to £4.5 million (1980: £2.5 million) due to the depreciation of the sterling value of overseas investments.

Cash holdings at the end of the year were £83 million (1980: £117 million) of which £47 million was held in overseas currencies.

Net interest payable fell from £10.5 million to £7.7 million reflecting lower average indebtedness during the year and higher interest rates receivable on cash deposits.

Investments

Capital Expenditure has continued at a high level. Analysed over the major product areas, the expenditure totalled:

	Capital Expenditure		CCA
	1980	1981	1981
	£m	£m	£m
Paper and packaging	30	34	23
Publishing and printing	14	18	14
Building and home improvement	11	12	14
	<u>55</u>	<u>64</u>	<u>51</u>

During the year, £7 million was invested in new acquisitions including:

J Dring Ltd – Carton Manufacturers
Mason Publishing Co. – US Legal Publishers
Klempville Ltd (49%) – Caravan Holidays

In addition, the Company acquired for £10 million all the share capital not already held in:

Gilflex-Key Ltd (75%) – Plastic Conduit Manufacturers
London & Provincial Poster Group Ltd (52%)

Since the year end, agreement has been reached for the Company to acquire from News International Limited the entire issued share capital of The Berrow's Organisation Limited, for a consideration of 4,700,000

Ordinary Shares of the Company to be issued on terms that they will rank for the final dividend. In addition, the Company is purchasing from News International certain freehold properties used by Berrows for a consideration of £571,500 payable in cash. The agreement is conditional upon the Secretary of State for Trade granting consent for the acquisition under the Fair Trading Act 1973 before 31 December 1981.

Berrows is involved in the publication of local newspapers whose principal areas of circulation are the South Midlands, Somerset and Wiltshire. The turnover of Berrows for the year ended 31 December 1980 was approximately £11 million and its unaudited net profits before taxation for the same year were £1.56 million.

During the year, the minority interest in the Redeemable Convertible Preferred Shares of Reed Inc. (formerly Reed Paper Ltd) in Canada were redeemed at a cost of £14.5 million following which all the Group's activities in Canada are carried on by wholly owned subsidiaries.

Share Capital

The Company's issued share capital was increased by 18,660 ordinary shares during the year as a result of the exercise of Share Options.

During the year, Options were granted to Directors of the Company to subscribe for 21,210 ordinary shares of the Company and to senior executives of the Company and its subsidiaries for 335,951 ordinary shares. These Options entitle the holders to purchase ordinary shares of the Company at prices between 195p and 210p per share during the period beginning 7 August 1983 and ending 26 February 1988 and were granted in accordance with the provisions of the Share Option Scheme approved by shareholders at the 1973 Annual General Meeting.

An ordinary resolution will be proposed as special business at the Annual General Meeting to increase the authorised share capital of the Company to £150 million by the creation of 15 million Unclassified Shares of £1 each. The proposed increase in capital would give rise to £26,393,365 (17.6%) authorised but unissued share capital after taking account of the proposed acquisition of The Berrow's Organisation Limited referred to above (4.7 million shares) and the exercise

Directors' Report

of all outstanding Share Options (3,073,918 shares). The Directors consider it desirable to have sufficient authorised but unissued share capital available for future flexibility and to take advantage of acquisition opportunities as they may arise. In order to enable the Directors to continue to exercise their power under the Articles of Association to allot unissued shares in the capital of the Company, an ordinary resolution giving the necessary authority for five years under Section 14 of the Companies Act 1980 will be proposed as special business. No issue of shares will be made which would effectively alter control of the Company without prior approval of Ordinary Shareholders in general meeting.

Directors

The names of the Directors of the Company, at the date of this Report, are shown on page 1. They all served as Directors throughout the year, apart from Mr S G Grinstead who was appointed to the Board with effect from 1 May 1981. In addition, Mr E S Birk was a Director until 30 October 1980 when he retired having reached the age of 65.

Mr Birk, senior partner of Nicholson, Graham & Jones, Solicitors, was first appointed a non-executive Director in 1952, continuing until 1964 when he resigned. He was reappointed as a non-executive Director in 1970. His colleagues on the Board wish to record their appreciation of the considerable contribution he has made to the Company over the years.

The Directors retiring by rotation, in accordance with the Articles of Association, are Mr L A Carpenter, aged 54, Mr M K Collins, aged 54, and Mr J H Harvey-Jones, aged 57, and, being eligible, they offer themselves for re-election.

Mr Carpenter has 31 years' service, 6½ years as a Director. He is Chief Executive of the Publishing and Printing Product Area and Chairman and Chief Executive of International Publishing Corporation Limited.

Mr Collins has 18 years' service, nine as a Director. He is Chairman and Chief Executive of Reed Building Products Limited.

Mr Harvey-Jones has been a non-executive Director of the Company since October 1975. He is a Deputy Chairman of Imperial Chemical Industries Limited.

Mr Carpenter and Mr Collins, as Executive Directors, have contracts of service which are subject to 24 months' notice of termination.

Mr S G Grinstead, having been appointed an additional non-executive Director since the last Annual General Meeting, retires in accordance with the Articles of Association and, being eligible, he offers himself for re-election. Mr Grinstead is aged 57 and is Deputy Chairman and Group Managing Director of Grand Metropolitan Limited.

Mr G S G Witherington, Deputy Chairman, will be retiring on 1 April 1982 by which time he will have completed 36 years' service with the Group. He was appointed a Director of the Company in November 1963 and Deputy Chairman in August 1976. As the first stage in the re-allocation of Mr Witherington's duties, prior to his retirement, the following changes in responsibilities take effect on 1 July 1981. He relinquishes his executive responsibilities for the Building and Home Improvement Product Area; Mr Cormic relinquishes his responsibility as Finance Director and is appointed Chief Executive of the Building and Home Improvement Product Area. Mr K J Morton has been appointed to the Board of the Company as Finance Director with effect from 1 July 1981. Mr Morton, aged 41, is a Chartered Accountant. He joined the Company in 1976 as Treasurer, which position he has held since that date.

Mr Morton, having been appointed an additional Director since the date of the last Annual General Meeting, retires in accordance with the Articles of Association and, being eligible, he offers himself for re-election. Mr Morton has a contract of service which is subject to 24 months' notice of termination.

A Statement of the interests of the Directors and their families in the share and loan capital of the Company and its subsidiaries is set out on page 37. At no time during the year has any Director had any material interest in a contract with the Company, being a contract of significance in relation to the Company's business, except under the Share Option Scheme as disclosed earlier in this Report and on pages 35 and 37.

Product Area Review – Paper and Packaging

The activities of the Paper and Packaging Product Area are carried out through two main Divisions, Reed Group Ltd and Reed Inc.

Reed Group is involved in waste paper collection, paper and board manufacturing and packaging in the UK and the Netherlands, paper merchanting and office supplies in the UK and paper manufacturing in the United States. The major activities of Reed Inc. are the manufacture of newsprint, paperboard and pulp in Canada, with interests in chemicals, pigments and paper converting.

Paper

Reed Group

The profitability and activity level of the UK paper industry was under severe pressure in the year. The fall in demand, resulting from the recession, was exacerbated by the strength of sterling and by high energy costs in the UK.

In spite of strenuous efforts to reduce costs, Reed Paper and Board (UK) incurred a substantial trading loss of £17 million, including rationalisation costs and provisions of £11 million in mills producing newsprint and boards for packaging and corrugated cases. Three such machines were closed at Aylesford and negotiations have recently been concluded with the Unions for the closure of the Imperial newsprint mill. Further steps are being taken to reduce costs and the overall effect of these measures will be to reduce employment levels by about 25%. These actions, coupled with a continuing programme of investment in new products and greater efficiency had, by the year-end, already effected a considerable improvement.

Reed Paper and Board's major waste paper supplier, J & J Maybank, had a difficult year due to the problems of the paper industry and staffing reductions were necessary at several plants.

RCCN-Paper, the Dutch paper manufacturing company, is a highly effective single site operation. Lower than anticipated demand in Holland was more than compensated by efficient production, better margins, and a strong sales performance in Germany and other export markets. Trading profit was maintained at the same level as last year.

Reed Deeron produces glassine and greaseproof paper in the US and Canada. Depressed trading conditions in the US and high energy costs compared with competitors resulted in a fall in the profitability of the US mills but this was substantially offset by good results from the Canadian glassine operation.

Spicer-Cowan, the Division's UK paper merchanting operation, was severely hit by customers' de-stocking policies and sustained a small trading loss.

Spicers, the company serving the office and professional photographic markets, traded successfully. Sales volume of envelopes, the principal manufactured product, was maintained at the previous year's level; a considerable feat in the trading conditions encountered.

Reed Inc.

The Quebec newsprint mill maintained record levels of production while successfully undertaking an extensive capital expenditure programme. Demand for the major products remained strong and price increases and favourable exchange rates enabled the mill to maintain a high level of profit.

An expansion which will double the capacity of the lignosulphonate chemical operations was commenced during the year. This project is proceeding on schedule and is expected to take advantage of the buoyant markets for these products.

A programme to improve the long-term viability of the pigment operations was successfully launched during the year and resulted in improved productivity and profitability.

The flexible packaging operation at Winnipeg maintained its high level of productivity and profitability.

Directors' Report

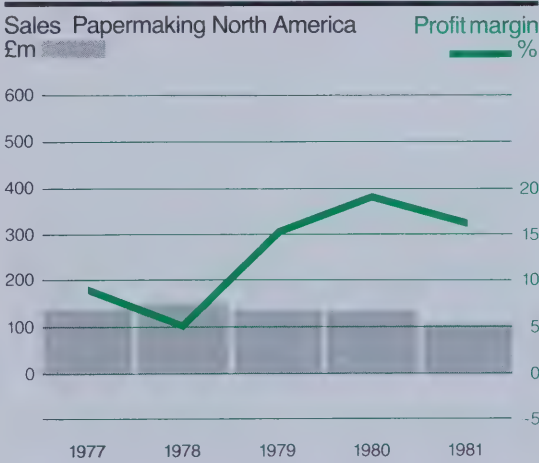
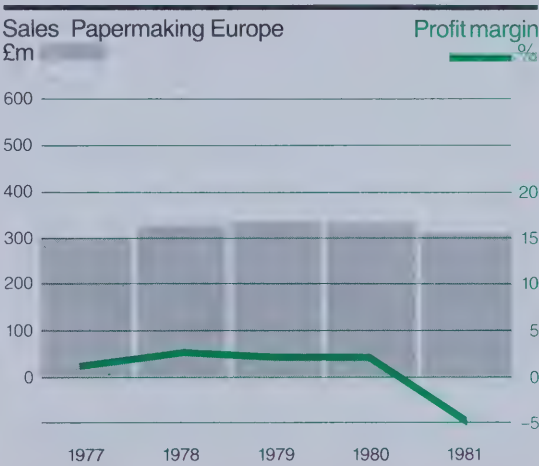
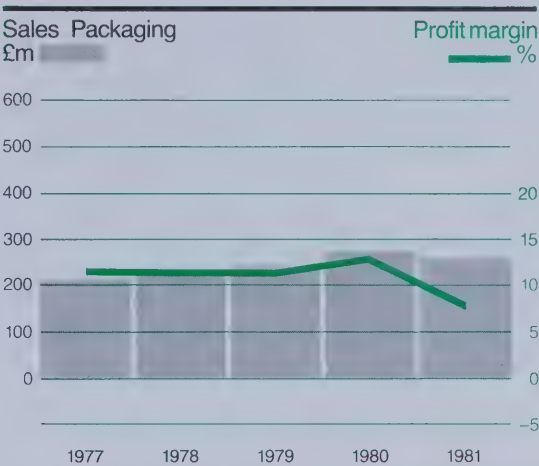
Packaging

Reed Group's packaging operations in the UK have an established record of high profitability and market leadership. The major packaging company, Reed Corrugated Cases, with a sales turnover of £129 million, is the leading manufacturer of corrugated fibreboard cases in Europe. UK demand for standard cases fell by 14% during the year and, consequently, the company's production and sales volumes were significantly lower. However, sales of specialised products, particularly heavy duty packaging, Reedecor products and UPS cases (which are made with two fluting papers laminated with a special high strength adhesive) held up better than did standard cases. The company's capital expenditure programme was maintained and the modifications to the Aylesford and Edinburgh factories will be completed on schedule. Work has commenced on the modernisation of the Histon factory.

The Division's carton manufacturer, Field, acquired J Dring Ltd in October 1980 at a cost of £6 million. The addition of Dring, which manufactures cartons using high technology machinery at its two Portsmouth factories, will enable Field to consolidate its share of the UK carton market and offer its customers a more efficient service from its five locations at Portsmouth, Thatcham, Bradford, Newcastle and Broxburn. Field was affected by labour disputes in April and May 1980, when several weeks of production were lost. Volume and profitability were adversely affected by customer de-stocking.

Reed Medway maintained its position as the leading UK paper sack manufacturer and, although sales volume was considerably less than in previous years, a satisfactory profit was achieved. Production capacity for high density polythene bags was concentrated in the more profitable market sectors; Reedex-F film continued to gain market acceptance and sales volume increased to a profitable level.

The Dutch corrugated case company (RCCN-Packaging) experienced severe competition from German case manufacturers. Although sales volume of standard and Tri-wall corrugated cases fell because of the recession, other heavy duty packaging sales were not so seriously affected. The corrugating plants are currently being modernised to improve efficiency.



Product Area Review – Publishing and Printing

The Publishing and Printing Product Area is one of the largest publishing organisations in the world and operates through two main Divisions, International Publishing Corporation Ltd and Mirror Group Newspapers Ltd.

International Publishing Corporation (IPC)

IPC has six main activities:

IPC Magazines publishes 74 weekly and monthly consumer magazines and numerous annuals and library series. Its publications cover a wide diversity of interests with titles such as *Woman*, *Woman's Own*, *Horse & Hound*, *Ideal Home*, *Country Life*, *New Musical Express*, *New Scientist* and *Woman and Home*.

IPC Business Press publishes 123 journals, 21 directories and 13 travel guides. Practically every major industrial category is catered for by its journals. It also organises exhibitions and conferences sponsored by its publications. Its major titles include *Farmers Weekly*, *World Airways Guide*, *Caterer & Hotelkeeper*, *Commercial Motor*, *Amateur Photographer*, *Bankers Almanac* and *Directory of Directors*.

The Hamlyn Group publishes a wide range of general interest books under its own and the *Country Life* imprints, and also has a substantial activity in the mail order sale of instruction card schemes.

Butterworth is the largest publisher of legal books in the UK and also has substantial publishing interests in Australia, Canada, New Zealand and South Africa. Among its many internationally famous titles are *Halsbury's Laws of England*, *Simons Taxes* and *The All England Law Reports*. Butterworth also publishes a large and expanding list of scientific, technical and medical books.

The acquisition of the outstanding share capital of London & Provincial Poster Group, referred to in last year's Report, was completed in July. L&P is one of the largest outdoor advertising contractors in the country, and also owns 50% of Adshel Ltd, referred to later under Associated Companies.

The printing operations include five printing factories and three factories engaged in process work. Its activities cover most forms of magazine and journal printing.

Overseas, the division operates mainly through the Butterworth subsidiaries and in the USA where IPC has substantial interests in business

publishing and exhibition organisation through the Cahners Publishing Company, and in advanced technology computer composing through International Computaprint Corporation.

The year was a difficult one for most parts of IPC. Early in the year, labour disputes led to interruptions in publishing resulting in reduced trading profit of approximately £8 million. These were followed by very depressed trading conditions, with lower advertisement volumes and circulations on most titles. However, although these difficulties resulted in profits being lower than anticipated, the overall publishing performance was substantially better than in many parts of the publishing industry and highly satisfactory in the circumstances.

The Consumer Magazine and Business Press companies experienced very difficult trading conditions for most of the year. Although there was some variation between the different market sectors, advertisement volumes were significantly lower on almost all titles with the lower level of demand tending to be more noticeable in the second half of the year. Display advertising volumes were particularly depressed in the mass selling women's weekly titles and the demand for classified advertisements was poor, especially in those Business Press titles serving the public sector. Circulations were also under pressure for most of the year, although there were marked differences from title to title with special interest titles tending to hold up rather better than those with a more general appeal. The non-journal and magazine publishing activities of the Magazine and Business Press companies were encouraging with Directories, ABC Guides, Exhibitions, Holiday Offers and Film Services all having record years.

Hamlyn faced a weak market in the UK and the problem of a strong pound in its export markets. Both sales and trading profit of the Hamlyn Mail Order operation achieved a substantial improvement on the previous year but paperback publishing continued to be a problem area although there were signs of improvement towards the end of the year.

Butterworth maintained its position as the country's leading publisher of legal books with a substantial improvement in both sales and profit. Early in the year, Butterworth launched the Lexis system of computerised information storage and retrieval for the legal profession. By the end of the year, approximately 800 million characters had been coded on to the data base.

Directors' Report

London & Provincial had a good year with a high level of demand for display space through most of the year.

Modernisation and rationalisation of the printing activities continued. During the year, approximately £4.5 million was spent on capital equipment and about £1.5 million was incurred on redundancy payments. Odhams was successful, against fierce competition, in winning the contract to print the Sunday Express Magazine.

IPC's overseas operations continued to develop very satisfactorily, particularly in the USA, and produced a trading profit of £7.4 million compared with £4.6 million in the previous year and £1.2 million in 1975/76. International Computaprint produced record profits and broadened its customer base which gives it greater trading security. Cahners and the majority of the Butterworth overseas companies had a very good year, often in difficult trading conditions. The Kiver Organisation, Ann Arbor and Security World, the purchases of which were referred to in last year's Report, all produced trading profits in excess of the estimates made at the time of their acquisition. Mason Publishing, an American legal publisher which was acquired in 1980, performed to expectations.

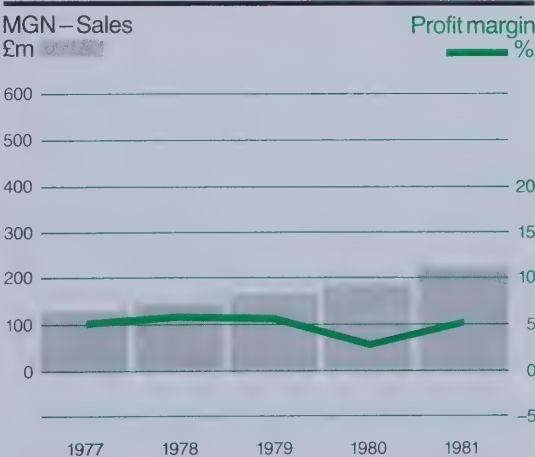
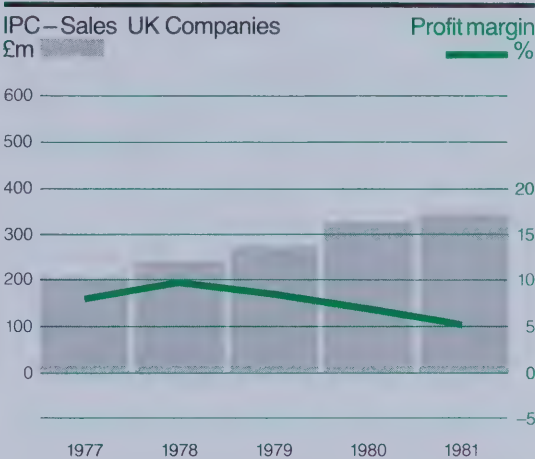
Mirror Group Newspapers (MGN)

MGN publishes 17 newspapers in the UK, including the Daily Mirror, the Sunday Mirror, the Sunday People, The Sporting Life, the Scottish Daily Record and Sunday Mail, and 11 weekly papers in the West of England. A total of 35 million copies a week are produced by just under 8,000 regular employees and three out of five people in the UK read a Mirror Group newspaper each week.

Notwithstanding the economic climate, revenues, backed by aggressive promotion, held up well and, with strong performances from both circulation and advertising sales, exceeded the previous year by 18%. Although labour disputes reduced trading profit by £3 million during the year, due partly to external influences, profit margins improved to 5.5% from the 3.8% achieved in the previous year.

Daily sales of the Daily Mirror averaged 3.6 million during the year, with a slightly improved market share. The two Sunday titles both recorded average sales close to 3.8 million and increased their share of the total popular Sunday market from 50% to 51%.

In Scotland, the Daily Record maintained its daily market domination with average daily



sales of 731,000 copies. The Sunday Mail suffered a decline of 1.6% in average weekly sales from 759,000 to 747,000 against an overall market average decline in Scotland of 2.9%.

During the early part of the year, labour restrictions stopped further progress being made towards the transfer of the national newspaper titles from hot metal to photocomposition production methods. These problems have now been overcome and currently 28 pages of the Daily Mirror and 36 pages of the Sunday Mirror are prepared using the new technology.

Product Area Review – Building and Home Improvement Products

The activities of the Building and Home Improvement Product Area are carried out through two main Divisions, Reed Decorative Products Ltd and Reed Building Products Ltd.

Reed Decorative Products (RDP)

RDP's main activity is the manufacture and sale of decorative and DIY products. The principal operations of the Division are located in the UK, on the Continent of Europe and North America and its internationally known wallcoverings, paints, fabrics and DIY products are sold under brand names which include Crown, Sanderson, Polycell and Sunworthy.

During the year, RDP suffered from the recessionary trading conditions in the UK and United States and was particularly affected by heavy retail de-stocking and a continuing decline of the UK printed wallcoverings market. RDP undertook a very substantial rationalisation and reorganisation programme in its UK and US wallcoverings operations and in its Sanderson business. These actions are reflected in the fall in numbers employed in the division from 11,000 last year to 8,500.

Wallcoverings operations in the UK incurred a substantial trading loss of £10.4 million, including rationalisation costs and provisions of £4.8 million. A wallcoverings mill at Christchurch and another in Ireland were closed and a further mill in Cheshire was sold.

Crown Paints, although adversely affected by a drop in trade sales and substantial retail de-stocking, produced very satisfactory results in the circumstances. The introduction of

Crown 'Matchpots' has been a major marketing innovation. Crown Paints' major plant modernisation programme continues.

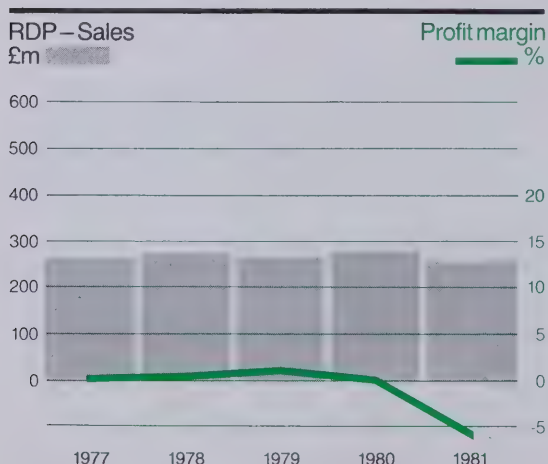
Sanderson Division sales fell short of the previous year's level particularly in the export markets and overall a loss of £6.7 million was incurred which included reorganisational costs and provisions of £3.3 million. The Sanderson carpet operation continued to suffer from increased import penetration in common with the UK carpet industry.

Polycell's recovery in the UK during the last six months partly compensated for the poor trading conditions experienced in the early part of the year and the final results were satisfactory. Polycell continued to develop new products which have included Polyskim, Polyripple and aluminium double glazing. The European operations maintained their successful record with total sales and profit in excess of last year.

In Canada, General Paint & Wallcoverings and Sunworthy Wallcoverings had a good year with improved sales and profit performance despite adverse market conditions in Eastern Canada.

The wallcoverings manufacturing and national distribution operations in the USA incurred trading losses of £6.6 million. This included rationalisation costs and provisions of £3.5 million which were necessary to reduce the size and cost of the distribution business to reflect market demand.

Despite trading profits of £10.4 million from Canada, Polycell and Crown Paints, RDP made a trading loss of £14.1 million mainly due to losses in the UK and US Wallcoverings and Sanderson operations exacerbated by exceptional costs and provisions of £11.1 million. These excessive costs have arisen from the extensive rationalisation programme which RDP undertook during the year to bring the scale of its operations more into line with foreseen market demand in the UK and in the USA, particularly in the wallcoverings area.



Directors' Report

Reed Building Products (RBP)

Reed Building Products offer a comprehensive range of building and home improvement products centred around the bathroom and related plumbing services. Its manufacturing operations are based in the UK and in Holland.

RBP's products include Twyford's ceramic sanitaryware, Edward Curran's steel and acrylic baths, Walker Croswell's Mira and Miralec shower fittings and mixing valves and Key Terrain's plastic plumbing systems and celuform mouldings. In Holland, Sphinx manufactures and sells sanitaryware, ceramic wall and floor tiles, refractories and coffee filter bags. The Division employs some 5,300 people.

During the year, the markets in which RBP operates suffered from the severe building recession throughout Europe and also by increased import penetration of heavily subsidised products from European competitors, particularly steel baths and brassware. Despite these conditions, RBP performed well particularly in the UK and achieved an overall trading profit of £9.6 million which was only marginally down on the previous year. Export sales were increased above previous levels, particularly to the Middle Eastern and Nigerian markets.

Key Terrain was affected by significant price competition but, due largely to successful raw material purchasing and an effective cost reduction programme, trading profit increased by some 12% over the level of the previous year.

Twyfords improved its UK market share and also achieved a substantial improvement in exports; sales increased by 14%. The company continued to uptrade and its product mix enabled it to maintain margins at a satisfactory level. The plant modernisation programme progressed during the year contributing to a significant cost reduction achievement. In the steel baths operation, Edward Curran suffered from subsidised import competition.

Walker Croswell continued to increase its share of the "plumbed in" sector of the shower market despite severe price cutting by European competitors. Although lower selling prices were to some degree offset by internal cost reductions trading profit was substantially below that of last year. The company has recently introduced many new products and continues to develop its

environmental engineering and process control systems.

L & P Plastics, a trade moulding operation, continued to increase its product and customer base and benefited from the recently built extensions to its premises.

Trading conditions in Holland were very difficult and were aggravated by the relative strength of the guilder and the continuing malaise of industry in continental Europe. The profitability of the Sphinx sanitaryware operation was adversely affected, particularly by a change in product mix and continuing manning problems. The refractories division suffered a fall in profits mainly due to production and manning problems which have now been overcome. Sphinx Tiles had a very successful year. The work of the past two years in rationalising production and modernising machinery has considerably increased the company's efficiency and competitiveness which has been reflected in much improved results.



Directors' Report

Associated Companies

Details of the Company's investments in its principal associated companies are given on pages 20 and 31.

The Company's share of the profits before taxation of its associated companies fell from £3.7 million to £3.1 million, made up as follows:

	1981	1980
	£m	£m
Paper and packaging	0.5	1.0
Publishing and outdoor advertising	3.2	3.0
Property	(0.6)	(0.3)
	<u>3.1</u>	<u>3.7</u>

Adshel

The Company's 50% interest in Adshel was acquired as part of London & Provincial Poster Group Ltd. Adshel is the major contractor in the UK for the provision of bus shelters incorporating advertising panels. This is a growth market providing a prime publicity medium in premium locations. Demand for advertisement space in the shelters was buoyant throughout the year.

Industrial and Trade Fairs (ITF)

Most of the exhibitions organised by ITF, in which the Company has a 40% interest, were successful and the profit for the year was more than double that of the previous cyclical peak year of 1977.

Compagnie Europeenne de Publication (CEP)

The Company has a 22% interest in CEP, a major French trade and technical publisher, which had a very successful year. A number of its major titles were relaunched successfully and trading profit increased by 20% over the level of the previous year.

King's Reach Investments

The office buildings within the King's Reach Development, Southwark, continue to be occupied by the Magazine Division of IPC. The Company has a 39% interest in King's Reach Investments Ltd, the company owning this development which, suffered an increased loss during the year due to high interest rates.

Personnel

Group

The total number of people employed by the Group at the year-end was 58,200 compared with 61,100 at the beginning of the year. They were located in the following areas:

	1981 Thousands	1980 Thousands
UK	46.9	49.8
Continent of Europe	4.1	4.1
North America	6.6	6.6
Rest of World	0.6	0.6
	<u>58.2</u>	<u>61.1</u>

The decrease in the number of employees during the year was the result of the rationalisation of UK papermaking and wallcoverings both in the UK and in the USA; also, the cost reduction programmes which are being undertaken throughout the Group. The reduction in number would have been greater but for the acquisitions made during the year which brought in over 1,000 new employees.

United Kingdom

The average number of persons employed in the UK in each week of the year was 49,000 (1980: 51,000) and the aggregate remuneration paid to them for the year was £328 million (1980: £288 million).

During the year, actuarial valuations of both the main UK contributory pension schemes were completed and these disclosed surpluses. Part of these surpluses were used to escalate pensions and deferred pensions, arising prior to 6 April 1980, at a higher rate than the 3% annual increase currently provided under the rules of the schemes.

Following consultation with the members of the schemes, improvements were made to the benefits, the principal one being the adoption of the final year pensionable salary, instead of a three year average for the calculation of benefits. The cost of these improved benefits is being met by an increase in the members' contributions to 6% of pensionable salary and from part of the surpluses disclosed by the valuations.

Directors' Report

Exports

Exports from the UK, including sales to overseas subsidiaries, amounted to £95 million (1980: £100 million). The principal exports were:

	1981 £m	1980 £m
Magazines, periodicals and books	36.2	37.3
Wallcoverings, paints and fabrics	21.2	27.7
Sanitaryware and plumbing products	10.8	8.8
	<u>68.2</u>	<u>73.8</u>

Auditors

The Auditors, Price Waterhouse & Co, are willing to continue in office and resolutions reappointing them and authorising the Directors to fix their remuneration will be submitted to the Annual General Meeting.

Donations

Donations made by the Company and its subsidiaries during the year for charitable purposes in the UK amounted to £180,000 (1980: £147,000) of which £24,000 were for educational purposes. The Company continued its policy of not making donations for political purposes in the UK.

Substantial Holdings

So far as is known, no shareholder has any beneficial interest amounting to 5%, or more, of the Ordinary Share Capital of the Company.

By Order of the Board
G G Stocks, *Secretary*
5 June 1981.

Principal Subsidiary and Associated Companies

29 March 1981

Subsidiary Companies

† Reed Group Ltd
Reed Paper & Board (UK) Ltd
* Reed Corrugated Cases Ltd
Field, Sons & Co. Ltd
† Reed Decorative Products Ltd
Crown Decorative Products Ltd
Polycell Products Ltd
† Reed Building Products Ltd
† Reed Publishing Holdings Ltd (Preference shares held by outside interests)
International Publishing Corporation Ltd
IPC Business Press Ltd
IPC Magazines Ltd
Butterworth & Co. (Publishers) Ltd
Hamlyn Publishing Group Ltd
Mirror Group Newspapers Ltd
Reed Inc <i>Canada</i>
Reed Holdings Inc <i>USA</i>

Associated Companies

* Compagnie Europeenne de Publication 22% <i>France</i>
Tri-wall Containers (Europa) BV 49% <i>Holland</i>
Adshel Ltd 50%
* Industrial & Trade Fairs Holdings Ltd 40%
* Kings Reach Investments Ltd 39%
MCH Ltd (formerly Klempville Ltd) 49%
* Principal Subsidiaries and Associates not audited by Price Waterhouse & Co. The share of Group turnover, HCA profit after taxation and net assets not audited by Price Waterhouse & Co at 29 March 1981 was approximately 14%, 6% and 5% respectively.
† Direct subsidiary of the Parent Company. All registered and operating in England unless otherwise stated. All the equity is held unless otherwise stated; in these cases the ultimate percentage interest held is shown.

Auditors' Report

To the Members of Reed International Limited

We have audited the financial statements on pages 21 to 36 in accordance with approved Auditing Standards.

In our opinion:

- the historical cost accounts, which have been prepared under the historical cost convention as modified by the revaluation of certain properties, give under that convention a true and fair view of the state of affairs of the Company and the Group at 29 March 1981 and of the profit and source and application of funds of the Group for the 52 week period then ended and comply with the Companies Acts 1948 to 1980, and
- the current cost accounts have been properly prepared, in accordance with the policies and methods described in the notes, to give the information required by Statement of Standard Accounting Practice No 16.

Price Waterhouse & Co
Chartered Accountants
London

5 June 1981

Accounting Policies

Basis of Consolidation

The consolidated profit and loss accounts and balance sheets under both the Current Cost Accounting ('CCA') and Historic Cost Accounting ('HCA') conventions include the accounts of the Parent Company and of all the subsidiaries for the fifty-two weeks ended 29 March 1981, and the comparative fifty-two weeks ended 31 March 1980.

Translation of Overseas Currencies into Sterling

Profit and loss items are translated at appropriate average rates, goodwill at rates at date of acquisition, other assets and liabilities at rates at balance sheet dates; the resulting currency exchange gains or losses are taken direct to reserves.

Associated Companies

The consolidated accounts include the appropriate share of the results of associated companies. An associated company is a company in which a substantial equity shareholding is held on a long term basis and there is participation in commercial and financial policy decisions. The years in respect of which associated companies' results have been included vary, but none ended earlier than 31 December 1980.

Research and Development

Expenditure is written off as incurred.

Pensions

It is the policy of the Group to provide for pension liabilities generally by payments to trusts independent from the finances of the Group and contributions by companies are charged against profits. Liabilities which relate to past service are normally being funded over a period of years.

Sales

Sales are shown at invoice value and exclude VAT and sales between subsidiary companies.

Goodwill

On the acquisition of a subsidiary or associate, the purchase consideration is allocated between the underlying net tangible assets on a fair value basis. Any excess purchase consideration not ascribed to net tangible assets is carried in the consolidated balance sheet as goodwill.

Taxation

Deferred taxation is calculated in accordance with Statement of Standard Accounting Practice No 15 on the basis of the HCA accounts. The taxation charge in the consolidated profit and loss account is the same for CCA and HCA. Deferred tax provisions are made for capital allowances in excess of depreciation charged in the accounts and other timing differences when it is expected that the potential tax will be payable in the foreseeable future. A deferred tax asset is included in the Balance Sheet for Advance Corporation Tax recoverable in the short term and in respect of expenditure provisions which will attract relief in the foreseeable future. No provision is made for taxation which would be payable if profits retained in overseas subsidiary and associated companies were remitted to the UK. No account is taken of unrelieved overseas tax losses, which are available for set off against future taxable profits of the companies concerned. Stock increase relief is calculated on the basis set out in the Finance Bill 1981.

Historic Cost Accounting

Fixed Assets and Depreciation

Properties including land are revalued at least every three years.

Properties and plant are stated in the Balance Sheet at valuation or at cost less investment grants.

No depreciation is provided on land. For properties and plant, depreciation has been provided on a basis that will write off the book amount of these assets over their expected life. In general, annual depreciation rates are 2% for freehold buildings and long leases and 4% to 33⅓% for plant and equipment. Short leases are written off over the duration of the lease.

Stocks

The amount included for stocks is stated at the lower of cost, including production overheads, and estimated net realisable value.

Accounting Policies

Current Cost Accounting

The current cost accounts have been prepared on the basis of Statement of Standard Accounting Practice No 16 published by the Accounting Standards Committee in March 1980.

Fixed Assets and Depreciation

It is current policy to revalue all properties including land on an annual basis.

Properties have been revalued by the Company's valuers (78%) and independent valuers (22%).

Plant and other fixed assets have been revalued by use of suppliers or engineers estimates (32%) and specific indices (67%) and on a recoverable amount basis (1%).

Depreciation is provided for on a straight line basis over the total estimated life of the asset, any backlog depreciation on increased valuations being charged to current cost reserve.

Stocks and Cost of Sales Adjustment

Stocks, subject to a cost of sales adjustment, are stated at their value to the business being the lower of net current replacement cost or recoverable amount.

Stocks and the cost of sales adjustments are made on an individual operating unit basis, by using materials price lists or specific indices.

Monetary Working Capital Adjustment

The monetary working capital adjustment is derived from those made on an individual operating unit basis and excludes all non-working capital items included in debtors and creditors, and all short term advances.

Other Adjustments

Further adjustments are made where necessary for CCA purposes on the disposal of subsidiaries, investments, associated companies or fixed assets, and on any write-downs in excess of those provisions included in the HCA accounts.

Associated companies, outside shareholders interests, and extraordinary items are adjusted onto a CCA basis.

Gearing Adjustment

The gearing adjustment for the consolidated profit and loss account is calculated centrally based on the average level of net borrowings to net operating assets during the year which for 1980/81 was 17%.

Current Cost Reserve

The amounts included in the current cost reserve represent the CCA adjustments made in the profit and loss account (realised) and balance sheet (unrealised) since the introduction of current cost accounting on 1 April 1978.

Revenue Reserves

The amount included in the CCA revenue reserves represents the balance of HCA retained profits as at 31 March 1978 plus the CCA retained earnings to date.

Consolidated Profit and Loss Account for the 52 Weeks Ended 29 March 1981

£ million

	1981	1980	1981	1980
	CCA	CCA	HCA	HCA
Sales	1,480.1	1,515.7	1,480.1	1,515.7
Materials and services	(940.6)	(1,012.1)	(899.6)	(955.1)
Employment costs	(502.9)	(442.0)	(502.9)	(442.0)
Exceptional items note 3	(26.3)	(11.9)	(22.6)	(11.9)
Trading Profit note 3	10.3	49.7	55.0	106.7
Share of profits of associated companies note 11	2.4	2.9	3.1	3.7
Operating Profit	12.7	52.6	58.1	110.4
Gearing adjustment	6.6	12.7	—	—
Interest note 4	(7.7)	(10.5)	(7.7)	(10.5)
Profit before Taxation	11.6	54.8	50.4	99.9
Taxation note 5	(11.3)	(23.8)	(11.3)	(23.8)
Profit after Taxation	0.3	31.0	39.1	76.1
Outside shareholders' interests note 17	(0.8)	(1.3)	(0.8)	(1.4)
Profit (Loss) Attributable to Shareholders before Extraordinary Items	(0.5)	29.7	38.3	74.7
Extraordinary items note 2	—	—	(15.4)	—
Profit (Loss) after Taxation and Extraordinary Items	(0.5)	29.7	22.9	74.7
Dividends paid and proposed note 6	(14.9)	(14.7)	(14.9)	(14.7)
Retained Profit (Loss) for the Period	(15.4)	15.0	8.0	60.0
Earnings per Ordinary Share note 7	(0.6)p	26.4p	34.1p	66.7p

Retained Profits and Reserves

Balance brought forward	354.8	328.4	239.3	179.0
Net adjustment for overseas companies note 1	—	—	—	2.8
At 31 March 1980	354.8	328.4	239.3	181.8
Retained profit (loss) for the period	(15.4)	15.0	8.0	60.0
Review of assets note 2	(1.3)	—	—	—
Current cost adjustments note 16	45.5	21.0	—	—
Exchange differences	(8.5)	(9.6)	(4.5)	(2.5)
At 29 March 1981	375.1	354.8	242.8	239.3

Current Cost Consolidated Balance Sheet

29 March 1981

£ million

	1981 CCA	1980 CCA
Properties and Plant		
At cost or valuation note 10	934.2	1,088.9
Accumulated depreciation note 10	<u>469.2</u>	<u>599.1</u>
	465.0	489.8
Investments		
Associated companies note 11	16.5	20.5
Other investments note 12	<u>11.4</u>	<u>17.3</u>
	27.9	37.8
Goodwill note 13	61.9	—
Current Assets		
Stocks note 14	198.8	209.7
Debtors	283.8	286.5
Deferred tax relief note 18	9.8	9.9
Short term deposits note 20	<u>82.7</u>	<u>117.1</u>
	<u>575.1</u>	<u>623.2</u>
Current Liabilities		
Short term borrowings note 19	37.4	15.8
Creditors	249.0	253.9
Taxation	11.7	26.4
Dividends	<u>10.2</u>	<u>10.1</u>
	<u>308.3</u>	<u>306.2</u>
	266.8	317.0
Capital Employed	<u>821.6</u>	<u>844.6</u>
Shareholders' Funds		
Share capital: preference note 15	4.1	4.1
ordinary note 15	111.8	111.7
Share premium	139.6	139.6
Reserves note 16	<u>375.1</u>	<u>354.8</u>
	630.6	610.2
Outside Shareholders' Interests note 17	4.7	17.9
Loan Capital note 20	<u>186.3</u>	<u>216.5</u>
Capital Invested	<u>821.6</u>	<u>844.6</u>

Sir Alex Jarratt *Director*

J D Cormie *Director*

5 June 1981

Historic Cost Balance Sheets 29 March 1981

£ million

	1981	1980	1981	1980
	HCA Consolidated		HCA Parent	
Properties and Plant				
At cost or valuation note 10	537.5	462.7	12.8	4.1
Accumulated depreciation note 10	<u>192.3</u>	<u>233.8</u>	<u>1.6</u>	<u>1.6</u>
	345.2	228.9	11.2	2.5
Subsidiary Companies note 8	—	—	523.4	539.8
Investments				
Associated companies note 11	8.6	10.0	—	—
Other investments note 12	<u>10.5</u>	<u>16.7</u>	<u>4.2</u>	<u>4.3</u>
	19.1	26.7	4.2	4.3
Goodwill note 13	61.9	160.3	—	—
Current Assets				
Stocks note 14	195.0	205.5	—	—
Debtors	283.8	286.5	3.5	2.4
Deferred tax relief note 18	9.8	9.9	1.4	10.2
Short term deposits note 20	<u>82.7</u>	<u>117.1</u>	<u>37.3</u>	<u>23.2</u>
	<u>571.3</u>	<u>619.0</u>	<u>42.2</u>	<u>35.8</u>
Current Liabilities				
Short term borrowings note 19	37.4	15.8	31.0	7.8
Creditors	249.0	253.9	12.5	15.1
Taxation	11.7	26.4	5.9	6.1
Dividends	<u>10.2</u>	<u>10.1</u>	<u>10.2</u>	<u>10.1</u>
	<u>308.3</u>	<u>306.2</u>	<u>59.6</u>	<u>39.1</u>
	263.0	312.8	(17.4)	(3.3)
Capital Employed	<u>689.2</u>	<u>728.7</u>	<u>521.4</u>	<u>543.3</u>
Shareholders' Funds				
Share capital: preference note 15	4.1	4.1	4.1	4.1
ordinary note 15	111.8	111.7	111.8	111.7
Share premium	139.6	139.6	139.6	139.6
Reserves note 16	<u>242.8</u>	<u>239.3</u>	<u>136.1</u>	<u>142.9</u>
	498.3	494.7	391.6	398.3
Outside Shareholders' Interests note 17	4.6	17.5	—	—
Loan Capital note 20	<u>186.3</u>	<u>216.5</u>	<u>129.8</u>	<u>145.0</u>
Capital Invested	<u>689.2</u>	<u>728.7</u>	<u>521.4</u>	<u>543.3</u>

Sir Alex Jarratt *Director*

J D Cormie *Director*

5 June 1981

Source and Application of Funds

£ million

	1981		1980	
	CCA	HCA	CCA	HCA
Funds Generated from Operations				
Trading profit	10.3	55.0	54.8	114.2
Non cash items in profit excluding depreciation	15.5	11.8	6.2	4.3
Dividends from associates	<u>1.1</u>	<u>1.1</u>	<u>0.8</u>	<u>0.8</u>
	<u>26.9</u>	<u>67.9</u>	<u>61.8</u>	<u>119.3</u>
Changes in Working Capital				
Stocks	25.2	13.1	8.6	(15.4)
Monetary items	(4.7)	(10.1)	(11.1)	(17.3)
Exchange differences on net current assets	<u>(8.5)</u>	<u>(8.5)</u>	<u>(12.0)</u>	<u>(12.0)</u>
	<u>12.0</u>	<u>(5.5)</u>	<u>(14.5)</u>	<u>(44.7)</u>
Changes in Fixed Assets				
Capital expenditure	(64.3)	(64.3)	(58.2)	(58.2)
Depreciation	50.6	31.2	57.8	30.5
Sale of fixed assets	<u>10.3</u>	<u>6.2</u>	<u>7.0</u>	<u>7.0</u>
	<u>(3.4)</u>	<u>(26.9)</u>	<u>6.6</u>	<u>(20.7)</u>
Trading Cash Flow before Finance Costs and Tax	<u>35.5</u>	<u>35.5</u>	<u>53.9</u>	<u>53.9</u>
Finance Costs and Tax				
Net interest		(7.7)		(11.9)
Tax paid		(28.2)		(23.3)
Dividends to outside shareholders of subsidiaries		(3.9)		(0.2)
Dividends paid to shareholders of Parent Company		<u>(14.6)</u>		<u>(10.2)</u>
		<u>(54.4)</u>		<u>(45.6)</u>
Net Movement of Funds from Operations		(18.9)		8.3
Other Movements				
Acquisition costs		(31.7)		(9.7)
Divestment proceeds		10.0		65.3
Net bank borrowings of companies sold or acquired		2.3		10.8
Other		<u>1.0</u>		<u>0.8</u>
Net Movement of Funds		<u>(37.3)</u>		<u>75.5</u>
Represented by				
Net repayment of long term loans				
(excluding exchange gains £11.5m (£14.3m))		18.7		58.7
Decrease (Increase) in short term borrowings		(21.6)		12.0
Increase (Decrease) in short term deposits		<u>(34.4)</u>		<u>4.8</u>
		<u>(37.3)</u>		<u>75.5</u>

The 1980 CCA and HCA comparatives include the results of overseas subsidiaries for periods ranging between 15 and 13 months. It is estimated that the Net Movement of Funds from Operations for the period in excess of a year was an outflow of £1 million.

Notes on the Accounts

£ million

1 **Date of Accounts**

All results for the current year are for the 52 weeks to 29 March 1981. At the previous year end, accounts for overseas subsidiaries were co-terminal with the Parent Company and UK subsidiaries for the first time, with results included for varying periods between 13 and 15 months. A memorandum statement of the results for the 52 weeks to 31 March 1980 was also published and is used for comparative figures in this Report wherever practical.

2 **Review of Assets**

CCA

HCA

Following the professional revaluation of properties referred to in last year's Directors' Report, these valuations other than for UK paper and board mills were adopted in the HCA balance sheet.

In the same context, all fixed assets of all UK paper and board mills were reviewed and revalued at carrying values relevant to the circumstances of this industry [note 10](#).

The net adjustments were:

Businesses other than UK Paper and Board Mills: Properties	84.6
UK Paper and Board Mills: Properties	16.1
Plant	(16.6)

All existing HCA goodwill attributable to non-publishing businesses was written off	(83.3)
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Goodwill attributable to publishing businesses was written down by the amount of any surplus on property revaluations in such businesses	(16.2)
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HCA Extraordinary Items	<u>(15.4)</u>
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In the CCA balance sheet, goodwill, to which no value had been attributed in the previous year was included at its revised written down value in the HCA accounts at 1 April 1980	60.8
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As a result of the review of UK paper and board mills total assets, a recoverable amount basis was adopted rather than the depreciated replacement cost basis used for most mill assets in last year's CCA balance sheet. As it is not now practical to indicate the amount, if any, of this write-down which should have been charged in this year's CCA profit and loss account, the adjustment has been charged direct to CCA reserves, without restatement of the previous year's balance sheet	(62.1)
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Had this year's basis been used in last year's accounts the effect on profit would not have been material.

CCA Reserves	<u>(1.3)</u>
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Notes on the Accounts

£ million

	1981	1980
3 Trading Profit		
<i>The CCA and HCA trading profits are after charging</i>		
HCA Depreciation	31.2	27.6
Hire of Plant	8.6	9.9
Auditors' remuneration (Parent Company £0.07m (£0.06m))	1.3	1.3
Directors' emoluments note 21	1.3	0.8
Exceptional costs and provisions		
Major divestments	—	4.2
Rationalisation	<u>22.6</u>	<u>7.7</u>
	22.6	11.9
<i>In addition the following adjustments have been made to CCA trading profit</i>		
Additional depreciation	19.4	25.9
Cost of sales adjustment	12.1	23.0
Monetary working capital adjustment	5.4	6.2
Fixed asset disposal adjustment	4.1	1.9
Exceptional costs and provisions	<u>3.7</u>	<u>—</u>
	44.7	57.0
As a result of the property revaluation at 1 April 1980 the HCA depreciation charge for the year increased by £1.4m.		
4 Interest less investment income		
<i>Interest payable</i>		
On long term loans	15.5	23.1
On bank advances and loans wholly repayable within 5 years	<u>8.0</u>	<u>5.1</u>
	23.5	28.2
<i>Income receivable</i>		
Short term deposits	(13.6)	(15.8)
Other investments (unlisted)	<u>(0.8)</u>	<u>(0.9)</u>
Discount on redemption of loan capital	<u>(1.4)</u>	<u>(1.0)</u>
Total	<u>7.7</u>	<u>10.5</u>
5 Taxation		
<i>Taxation on the chargeable profit for the period</i>		
ACT not recoverable in one year	5.0	—
UK corporation tax at 52% (52%)	(3.6)	15.8
Development land tax	1.2	—
Relief for overseas tax	(3.0)	(0.8)
Overseas tax	<u>10.2</u>	<u>6.9</u>
Total (including deferred taxation (credit) charge of (£3.3m) £1.9m)	9.8	21.9
<i>Taxation on share of associated companies' profits (including overseas tax £0.1m (£0.5m))</i>	<u>1.5</u>	<u>1.9</u>
Total	<u>11.3</u>	<u>23.8</u>

The charge for taxation on the profits of the period has been reduced by £6.2m (£14.1m) in respect of long-term deferrals, by £5.1m (£4.6m) in respect of stock increase relief, by £2.0m (£10.8m) for overseas tax losses brought forward and by £0.4m (£0.7m) tax relief on goodwill.

If stock increase relief had been calculated on the existing legislation rather than on the basis outlined in the Finance Bill 1981, total taxation for the year would have been increased by £0.2m.

Notes on the Accounts

£ million

			1981	1980
6 Dividends Paid and Proposed				
Preference			0.2	0.2
Ordinary				
Interim	4p	4p	4.5	4.4
Final	9p	9p	10.2	10.1
Total	<u>13p</u>	<u>13p</u>	<u>14.7</u>	<u>14.5</u>
		(18.57p (18.57p) with tax credit)	<u>14.9</u>	<u>14.7</u>

The amount of the final dividend assumes that options of the 1,228,411 Ordinary Shares which expire July 1981 will be exercised on or prior to 3 July 1981.

If the offer to acquire The Berrow's Organisation becomes unconditional a further 4,700,000 ordinary shares will be issued and will rank for the final dividend.

7 Earnings per Ordinary Share

The calculation of earnings per ordinary share is based on CCA earnings before extraordinary items of £(0.7)m (£29.5m) and on the 111.8m (111.7m) ordinary shares in issue during the year (HCA earnings £38.1m (£74.5m))

(0.6)p	26.4p
<u>34.1p</u>	<u>66.7p</u>

8 Subsidiary Companies

Shares at cost less provisions	195.4	200.7
Amounts due from subsidiaries	548.0	545.5
Amounts due to subsidiaries	(220.0)	(206.4)
Total	<u>523.4</u>	<u>539.8</u>

During 1979/80, Reed Holdings Inc. (RHI), a wholly-owned subsidiary of the Company, acquired the minority interests in a fellow US subsidiary, International Computaprint Corporation (ICC) for US\$6 per share. Of the 116,125 shares acquired by RHI, 106,250 shares were bought from Mr Hans Nickel, President and a director of ICC, for which he received US\$637,500 in cash. The Company's Auditors, Price Waterhouse & Co, reported that, in their opinion, the terms of the transaction were fair and reasonable to the Company.

The principal subsidiaries are shown on page 20.

9 Future Capital Expenditure not provided in the Accounts: Consolidated	1981	1980
Contracts placed	20.4	18.9
Authorised by directors but contracts not yet placed	17.5	26.3
Total	<u>37.9</u>	<u>45.2</u>

Notes on the Accounts

£ million

10 Properties and Plant: Consolidated	Land and buildings		Plant and equipment		Total	
<i>Cost or valuation</i>	CCA	HCA	CCA	HCA	CCA	HCA
At 31 March 1980	248.8	116.4	840.1	346.3	1,088.9	462.7
Additions	6.3	6.3	58.0	58.0	64.3	64.3
Held by new subsidiaries on acquisition	7.4	7.4	13.4	13.4	20.8	20.8
Disposals and divestments	(7.9)	(3.9)	(41.4)	(13.5)	(49.3)	(17.4)
Reclassification	11.7	4.7	(11.7)	(4.7)	—	—
Exchange adjustments	(6.7)	(4.6)	(12.2)	(7.2)	(18.9)	(11.8)
Surplus on revaluation	(48.3)	61.0	(123.3)	(42.1)	(171.6)	18.9
At 29 March 1981	<u>211.3</u>	<u>187.3</u>	<u>722.9</u>	<u>350.2</u>	<u>934.2</u>	<u>537.5</u>
Comprising						
Cost	5.8	7.2	—	350.2	5.8	357.4
Valuation 1980	<u>205.5</u>	<u>180.1</u>	<u>722.9</u>	<u>—</u>	<u>928.4</u>	<u>180.1</u>
	<u>211.3</u>	<u>187.3</u>	<u>722.9</u>	<u>350.2</u>	<u>934.2</u>	<u>537.5</u>
<i>Accumulated depreciation</i>						
At 31 March 1980	54.6	39.4	544.5	194.4	599.1	233.8
Charge to profit and loss account	5.4	5.3	45.2	25.9	50.6	31.2
Accumulated by new subsidiaries prior to acquisition	—	—	8.3	8.3	8.3	8.3
Provided on disposals and divestments	(0.3)	(0.6)	(33.1)	(10.0)	(33.4)	(10.6)
Reclassification	7.9	2.5	(7.9)	(2.5)	—	—
Exchange adjustments	(2.1)	0.1	(6.3)	(4.7)	(8.4)	(4.6)
Release on revaluation	(38.3)	(40.3)	(108.7)	(25.5)	(147.0)	(65.8)
At 29 March 1981	<u>27.2</u>	<u>6.4</u>	<u>442.0</u>	<u>185.9</u>	<u>469.2</u>	<u>192.3</u>
Net book amount 29 March 1981	<u>184.1</u>	<u>180.9</u>	<u>280.9</u>	<u>164.3</u>	<u>465.0</u>	<u>345.2</u>
	1981	1980	1981	1980		
<i>Land and buildings at cost or valuation</i>	CCA	CCA	HCA	HCA		
Freehold property	182.7	201.8	158.9	98.7		
Leasehold property, 50 years or more unexpired	24.4	34.1	25.3	12.3		
Leasehold property, less than 50 years unexpired	2.4	4.6	2.2	3.6		
Timber limits	1.8	8.3	0.9	1.8		
	<u>211.3</u>	<u>248.8</u>	<u>187.3</u>	<u>116.4</u>		

No depreciation has been provided on land (at cost or valuation) CCA £60.3m (HCA £56.0m).

The gross amount of depreciable assets is CCA £873.9m (HCA £481.5m).

The consolidated land and buildings of HCA £187.3m includes £10.7m in respect of the Parent Company of which £4.2m relates to freehold property and £6.5m to a leasehold property with more than 50 years unexpired. With the exception of all UK paper mills and properties held for sale, the Group's freehold and long leasehold properties were valued at 1 April 1980 on an open market basis having regard to existing planning consents, except for certain overseas sanitaryware, ceramic tile factories and paper mills which were valued on a depreciated replacement cost basis because of their specialised nature. The Group's UK paper mills were valued on the basis of land at open market values and buildings at estimated recoverable amounts. Plant and equipment at UK paper mills was written down to an estimated recoverable amount, resulting in a net write off of £16.6m. Approximately 47% of the valuations were by specialist firms of chartered surveyors and two firms of qualified valuers and the remainder by the Company's own staff of chartered surveyors. The valuations revealed an aggregate surplus over net book value at 1 April 1980 of £84.1m comprising £65.2m depreciation no longer required and £18.9m in excess of valuation over original cost.

No provision has been made for tax liabilities, which may arise if disposals are made at the revalued amounts [note 18](#).

Notes on the Accounts

£ million

11 Associated Companies: Consolidated

	1981	1980	1981	1980	1981	1980	1981	1980
	Listed		Unlisted		Total		Total	
<i>Attributable value</i>	CCA	CCA	CCA	CCA	CCA	CCA	HCA	HCA
Costs less amounts written off	—	1.2	7.1	4.0	7.1	5.2	7.1	5.2
Share of post acquisition retained profits	—	2.4	0.7	1.3	0.7	3.7	1.5	4.8
Share of current cost reserve	—	4.5	8.7	7.1	8.7	11.6	—	—
Total	—	<u>8.1</u>	<u>16.5</u>	<u>12.4</u>	<u>16.5</u>	<u>20.5</u>	<u>8.6</u>	<u>10.0</u>
HCA	—	<u>4.1</u>	<u>8.6</u>	<u>5.9</u>				
<i>Market value of listed investments</i>	—	<u>8.1</u>						
<i>Share of profits before taxation</i>								
United Kingdom	0.7	1.8	0.9	0.1	1.6	1.9	2.1	2.7
Overseas	—	—	0.8	1.0	0.8	1.0	1.0	1.0
Total	<u>0.7</u>	<u>1.8</u>	<u>1.7</u>	<u>1.1</u>	<u>2.4</u>	<u>2.9</u>	<u>3.1</u>	<u>3.7</u>
HCA	<u>1.0</u>	<u>2.1</u>	<u>2.1</u>	<u>1.6</u>				
Dividends and interest received from associated companies	<u>0.2</u>	<u>0.2</u>	<u>0.9</u>	<u>0.6</u>	<u>1.1</u>	<u>0.8</u>	<u>1.1</u>	<u>0.8</u>

The principal associated companies are shown on page 20.

12 Other Investments

	1981	1980
At valuation – CCA		
Listed investments, market value	1.3	0.4
Unlisted investments, directors' valuation (Parent Company £3.6m)	<u>10.1</u>	<u>16.9</u>
Total	<u>11.4</u>	<u>17.3</u>
At cost		
Listed investments	0.9	0.1
Unlisted investments (Parent Company £4.2m)	<u>9.6</u>	<u>16.6</u>
Total	<u>10.5</u>	<u>16.7</u>

13 Goodwill

	CCA	HCA
At 31 March 1980	—	160.3
Goodwill included from 1 April 1980 note 2	60.8	—
Goodwill write-off note 2	—	(99.5)
Goodwill on acquisitions	<u>1.1</u>	<u>1.1</u>
At 29 March 1981	<u>61.9</u>	<u>61.9</u>

14 Stocks

	1981	1980	1981	1980
	CCA	CCA	HCA	HCA
Raw materials	73.5	83.7	71.8	81.2
Work in progress	23.2	22.8	23.0	22.5
Finished goods	89.3	92.5	87.6	91.2
Maintenance stocks	<u>12.8</u>	<u>10.7</u>	<u>12.6</u>	<u>10.6</u>
Total	<u>198.8</u>	<u>209.7</u>	<u>195.0</u>	<u>205.5</u>

Notes on the Accounts

£ million

15 Share Capital	Authorised 1981	Issued and fully paid 1981	Issued and fully paid 1980
<i>Preference shares (cumulative) of £1 each</i>			
Redeemable at par at the option of the Company			
4½% (now 3·15% plus tax credit)	1·5	1·5	1·5
5½% (now 3·85% plus tax credit)	1·2	1·2	1·2
Irredeemable			
5% (now 3·50% plus tax credit)	0·3	0·3	0·3
7% (now 4·90% plus tax credit)	<u>1·1</u>	<u>1·1</u>	<u>1·1</u>
	4·1	4·1	4·1
<i>Ordinary shares of £1 each</i>	111·8	111·8	111·7
<i>Unclassified shares of £1 each</i>	19·1		
Total	<u>135·0</u>	<u>115·9</u>	<u>115·8</u>

16 Reserves

	Consolidated CCA	Consolidated HCA	Parent Company HCA
At 31 March 1980			
Retained profit	155·1	239·3	142·9
Current cost reserve	<u>199·7</u>	<u>—</u>	<u>—</u>
	354·8	239·3	142·9
Retained profit (loss) for the period	(15·4)	8·0	(10·2)
Review of assets note 2	(1·3)	—	—
Current cost adjustments:			
Revaluations: Fixed assets	36·3		
Stocks	(0·3)		
Associates and investments	(2·2)		
Minority interests	0·3		
Cost of sales	12·1		
Monetary working capital	5·4		
Associates profit	0·5		
Gearing	<u>(6·6)</u>	45·5	—
Exchange differences	(8·5)	(4·5)	3·4
At 29 March 1981	<u>375·1</u>	<u>242·8</u>	<u>136·1</u>
Retained profit	141·3		
Current cost reserve			
Realised	101·5		
Unrealised	<u>132·3</u>		
	<u>375·1</u>		

The HCA profit for the period dealt with in the accounts of the Parent Company was £4·7m (£113·3m) being profit after taxation and extraordinary items but before dividends of £14·9m (£14·7m).

Extraordinary items include an £11·1m provision against the Company's cost of shares in subsidiary companies and a net property revaluation surplus of £9·2m.

Notes on the Accounts

£ million

17 Outside Shareholders' Interests

This represents amounts due to minority shareholders in Reed's Subsidiary Companies.

	Profit and Loss Account		Balance Sheet	
	1981	1980	1981	1980
Minority shareholders in:				
Reed Inc Canada	0.5	1.2	—	13.3
Other companies	0.3	0.1	4.7	4.6
Total	<u>0.8</u>	<u>1.3</u>	<u>4.7</u>	<u>17.9</u>
HCA	<u>0.8</u>	<u>1.4</u>	<u>4.6</u>	<u>17.5</u>

18 Deferred Taxation

Deferred taxation relief shown in the accounts consists of:

	1981	1980
Advance corporation tax (ACT) recoverable	1.4	4.3
Excess of tax relief due over tax payable in respect of timing differences which will reverse in the foreseeable future	8.4	5.6
	<u>9.8</u>	<u>9.9</u>
If provision had been made for all timing differences further liability as follows would have appeared in the accounts:		
Depreciation claimed at a faster rate for tax purposes than that charged in the accounts	83.2	68.9
Stock increase relief	—	16.3
Potential capital gains on property revaluations (CCA £23.7m)	21.4	—
UK losses carried forward (including ACT £5m)	(9.9)	—
Other timing differences (net)	(3.3)	(5.1)
Total	<u>91.4</u>	<u>80.1</u>

No account has been taken for stock increase relief on the assumption that it has become permanent pursuant to the Finance Bill 1981. If the provision had been made in respect of stock increase relief on the basis of existing legislation then the further liability at 29 March 1981 would have been £17.5m.

19 Short Term Borrowings

	Consolidated		Parent	
	1981	1980	1981	1980
Bank advances repayable on demand – secured	0.6	0.7	—	—
– unsecured	13.9	9.0	8.5	3.1
Short term advances and bills payable	<u>22.9</u>	<u>6.1</u>	<u>22.5</u>	<u>4.7</u>
Total	<u>37.4</u>	<u>15.8</u>	<u>31.0</u>	<u>7.8</u>

Notes on the Accounts

£ million

20 Loan Capital and Short Term Deposits

Loan Capital

<i>Parent Company – unsecured</i>			<i>Subsidiary companies – unsecured</i>		
	1981	1980		1981	1980
6¾% Luxembourg Franc Bonds 1987	6.0	8.1	Floating Rate C\$ Loan 1985/88	11.4	—
7¼% D Mark Bearer Bonds 1979/88	13.9	17.9	Floating Rate US\$ Note 1980/84	—	11.5
7½% Sterling Loan Stock 1996/2001	12.7	13.0	Miscellaneous (Sterling £12.0m)	27.3	40.0
8¼% Dutch Florin Loan 1978/92	7.7	9.5		38.7	51.5
9% US Dollar Bonds 1987	17.9	18.4	<i>Subsidiary companies – secured</i>		
10% Sterling Loan Stock 2004/09	12.5	12.8	Miscellaneous (Sterling £14.1m)	17.8	20.0
11¼% Dutch Florin Bonds 1980/89	23.4	29.6	Total Subsidiary companies	56.5	71.5
Miscellaneous (Sterling £8.2m)	12.7	11.3			
	106.8	120.6			
<i>Parent Company – secured</i>					
Miscellaneous – Sterling	23.0	24.4	Total Parent Company	129.8	145.0
Total Parent Company	129.8	145.0	Consolidated	186.3	216.5

In addition to the loans listed above the Company has a D Mark 50m (£10.6m) Bank Loan 1977/85 against which D Mark 50m (£10.6m) are deposited for redemption.

Currency and Maturity Analysis

						<i>Loan capital</i>	<i>Short term deposits</i>
Years when repayable	0–5	6–10	11–15	16–20	21 +	Total	
£ Sterling	16	13	17	15	21	82	(36)
D Florins	26	21	2			49	(15)
US\$	9	11				20	(3)
Can\$	3	11				14	(14)
D Marks	10	4				14	(12)
Others	5	2				7	(3)
Total	69	62	19	15	21	186	(83)
1980	83	72	21	12	28	216	(117)

	<i>Consolidated</i>		<i>Parent</i>	
	1981	1980	1981	1980
<i>Bank loans repayable</i>				
Within 1 year	0.7	1.1	—	—
Between 1 and 2 years	0.4	0.7	—	—
Between 2 and 5 years	2.4	5.8	1.4	1.0
5 years or more	15.4	4.7	3.1	4.1
<i>Other borrowings repayable</i>				
Within 1 year	12.7	10.8	9.8	6.5
Between 1 and 2 years	9.8	13.6	7.9	8.9
Between 2 and 5 years	42.5	50.8	32.8	33.3
5 years or more	102.4	129.0	74.8	91.2
<i>Wholly repayable within 5 years – Bank loans</i>	1.0	1.7	—	—
– Other borrowings	12.6	8.7	5.2	3.4

The average rate of interest on all loans is 9.1% (9.5%).

Notes on the Accounts

£

21	Directors' and UK Employees' Emoluments	1981	1980
	<i>Payments to the directors of the Parent Company</i>		
	Fees	15,500	18,000
	Other emoluments	<u>860,927</u>	<u>696,878</u>

The number of directors and employees in each range of emoluments (excluding pension contributions and employees whose emoluments were below £20,000) was as follows:

	Directors		UK Employees	
	1981	1980	1981	1980
The Chairman, the highest paid director	<u>87,957</u>	<u>75,209</u>	—	—
Other	Number	Number	Number	Number
1— 5,000	—	2		
5,001—10,000	3	2		
10,001—15,000	1	—		
15,001—20,000	—	1		
20,001—25,000	—	—	237	135
25,001—30,000	—	—	118	21
30,001—35,000	—	—	17	8
35,001—40,000	—	—	8	3
40,001—45,000	1	2	4	—
45,001—50,000	1	—	—	—
50,001—55,000	1	2	—	—
55,001—60,000	—	1	—	—
60,001—65,000	1	1	—	—
65,001—70,000	2	—	—	—
70,001—75,000	1	—	—	—

Pensions to, pension contributions for and superannuation gratuities in respect of executive service of, former Directors £141,735 (£60,808). A sum equivalent to £132,766 plus his legal costs of £21,973 has been paid to a former Director as part of a general settlement of the litigation proceedings in Canada between the former Director, the Company, certain of its subsidiaries and the Trustees of a Share Incentive Plan.

In addition £85,836 was paid to a former Director on termination of his employment with a company which was a subsidiary until its sale in 1978 under a guarantee given to him at the date of sale.

22 Share Option Scheme

At 29 March 1981 certain directors and employees held options to subscribe for 3,073,918 ordinary shares at prices between 158p and 210p per share, exercisable in accordance with the terms of the 1973 Share Option Scheme, in general between 1977 and 1988. During the year options to subscribe for 77,872 ordinary shares at 175p each and to subscribe for 107,820 ordinary shares at 199p each lapsed, options to subscribe for 18,660 ordinary shares at a price of 175p were exercised in accordance with the rules of the Scheme and additional options to subscribe for 21,210 ordinary shares at 195p and to subscribe for 335,951 ordinary shares at 210p were granted.

Notes on the Accounts

£ million

23	Contingent Liabilities	Consolidated	Parent
	<i>There are contingent liabilities in respect of</i>		
	Borrowings of subsidiary companies	—	35·1
	Borrowings of associated companies (including £14·8m in respect of former associated companies)	21·5	20·7

As a result of the sale of the Dryden operations Reed Ltd and the purchaser, Great Lakes Forest Products Ltd, have agreed to share equally any liability up to C\$15 million plus costs arising from the existing or any future proceedings relating to the alleged past discharge of pollutants by the Dryden operations. The obligations of Reed Ltd under these arrangements have been guaranteed by the Company. Reed Ltd and the Company have been indemnified by the purchaser in respect of all further liability in respect of pollution by the Dryden operations.

In addition there are a number of outstanding legal claims against companies in the Group. In the opinion of the Directors adequate provisions have been made against any possible liabilities.

Directors' Interests in Share and Loan Capital

The interests of the Directors and of their families in the share and loan capital of the Company are set out below. No notifiable interests existed in respect of subsidiaries.

	Ordinary Shares		10% Unsecured Loan Stock 2004/09		Ordinary Shares under option	
	29 March 1981	1 April 1980	29 March 1981	1 April 1980	29 March 1981	1 April 1980
Sir Alex Jarratt	1,200	1,200			108,000	108,000
L A Carpenter	177	177	£33	£33	68,064	68,064
M K Collins	2,774	2,774			33,480	33,480
J D Cormie	888†	888†			93,714	93,714
J H Harvey-Jones	—	—				
E F Hillan	—	—			33,480	21,000
J H Macdonald	—	240				
Sir Keith Skinner	—	—			33,480	24,750
D T Wilkins	—	—			68,064	68,064
G S G Witherington	2,000	3,000			78,144	78,144
	1,920†	1,920†				

† Indicates other than beneficial interest.

During the period from 29 March 1981 to 30 May 1981 there were no changes to the interests set out in the above table.

Quarterly Results

£ million

	Sales to third parties		Operating profit		Profit attributable to shareholders		Earnings per share	
	1981	1980	1981	1980	1981	1980	1981	1980
CCA								
First quarter	352.5	371.7	(1.9)	17.4	(5.4)	7.3	(4.8)p	6.4p
Second quarter	364.0	356.4	6.9	13.4	3.4	5.6	3.0p	5.0p
Third quarter	373.6	385.0	7.8	19.2	2.1	6.9	1.9p	6.1p
Fourth quarter	390.0	402.6	(0.1)	2.6	(0.6)	9.9	(0.7)p	8.9p
Total for the 12 months	<u>1,480.1</u>	<u>1,515.7</u>	<u>12.7</u>	<u>52.6</u>	<u>(0.5)</u>	<u>29.7</u>	<u>(0.6)p</u>	<u>26.4p</u>
HCA								
First quarter	352.5	371.7	13.2	30.6	7.4	17.9	6.5p	16.0p
Second quarter	364.0	356.4	17.2	26.4	10.7	14.8	9.6p	13.2p
Third quarter	373.6	385.0	17.9	32.8	10.2	17.8	9.1p	15.9p
Fourth quarter	390.0	402.6	9.8	20.6	10.0	24.2	8.9p	21.6p
Total for the 12 months	<u>1,480.1</u>	<u>1,515.7</u>	<u>58.1</u>	<u>110.4</u>	<u>38.3</u>	<u>74.7</u>	<u>34.1p</u>	<u>66.7p</u>

Analysis of Sales and Current Cost Trading Profit

£ million

	1981 Sales	Trading profit	%	1980 Sales	Trading Profit	%
Paper and Packaging						
<i>Paper</i>						
United Kingdom	281	(19.6)	(7.0)	296	(4.2)	(1.4)
Europe	25	1.0	4.0	35	0.9	2.6
USA	20	(0.5)	(2.5)	21	1.0	4.8
Canada	80	12.4	15.5	109	19.2	17.6
Rest of World	—	—	—	13	(4.0)	(30.8)
	<u>406</u>	<u>(6.7)</u>	<u>(1.7)</u>	<u>474</u>	<u>12.9</u>	<u>2.7</u>
<i>Packaging</i>						
United Kingdom	205	10.0	4.9	217	21.8	10.0
Europe	43	1.3	3.0	46	1.5	3.3
Canada	6	0.4	6.7	7	0.4	5.7
	<u>254</u>	<u>11.7</u>	<u>4.6</u>	<u>270</u>	<u>23.7</u>	<u>8.8</u>
Total	<u>660</u>	<u>5.0</u>	<u>0.8</u>	<u>744</u>	<u>36.6</u>	<u>4.9</u>
Publishing and Printing						
<i>IPC (Magazines and Books)</i>						
United Kingdom	343	10.7	3.1	321	15.9	5.0
USA	58	5.5	9.5	56	3.0	5.4
Rest of World	12	1.3	10.8	12	1.3	10.8
	<u>413</u>	<u>17.5</u>	<u>4.2</u>	<u>389</u>	<u>20.2</u>	<u>5.2</u>
<i>MGN (Newspapers)</i>						
United Kingdom	220	9.2	4.2	186	3.8	2.0
Total	<u>633</u>	<u>26.7</u>	<u>4.2</u>	<u>575</u>	<u>24.0</u>	<u>4.2</u>
Building and Home Improvements						
<i>RDP (Decorative Products)</i>						
United Kingdom	179	(18.6)	(10.4)	197	(12.7)	(6.4)
Europe	24	0.7	2.9	25	0.5	2.0
USA	22	(7.4)	(33.6)	25	(1.1)	(4.4)
Canada	26	1.7	6.5	29	1.3	4.5
Rest of World	4	0.1	2.5	4	—	—
	<u>255</u>	<u>(23.5)</u>	<u>(9.2)</u>	<u>280</u>	<u>(12.0)</u>	<u>(4.3)</u>
<i>RBP (Building Products)</i>						
United Kingdom	77	3.7	4.8	70	3.2	4.6
Europe	47	1.4	3.0	51	1.3	2.5
	<u>124</u>	<u>5.1</u>	<u>4.1</u>	<u>121</u>	<u>4.5</u>	<u>3.7</u>
Total	<u>379</u>	<u>(18.4)</u>	<u>(4.9)</u>	<u>401</u>	<u>(7.5)</u>	<u>(1.9)</u>
Summary						
United Kingdom	1,305	(4.6)	(0.4)	1,287	27.8	2.2
Europe	139	4.4	3.2	157	4.2	2.7
USA	100	(2.4)	(2.4)	102	2.9	2.8
Canada	112	14.5	12.9	145	20.9	14.4
Rest of World	16	1.4	8.8	29	(2.7)	(9.3)
	<u>1,672</u>	<u>13.3</u>	<u>0.8</u>	<u>1,720</u>	<u>53.1</u>	<u>3.1</u>
Inter-Company Sales	(192)			(204)		
Central Costs (net of property sales)		(3.0)			(3.4)	
Total	<u>1,480</u>	<u>10.3</u>	<u>0.7</u>	<u>1,516</u>	<u>49.7</u>	<u>3.3</u>

Analysis of Sales and Historic Cost Trading Profit

£ million

	1981 Sales	Trading profit	%	1980 Sales	Trading Profit	%
Paper and Packaging						
<i>Paper</i>						
United Kingdom	281	(15.1)	(5.4)	296	6.7	2.3
Europe	25	1.1	4.4	35	1.5	4.3
USA	20	0.7	3.5	21	1.5	7.1
Canada	80	15.7	19.6	109	23.8	21.8
Rest of World	—	—	—	13	(3.6)	(27.7)
	<u>406</u>	<u>2.4</u>	0.6	<u>474</u>	<u>29.9</u>	6.3
<i>Packaging</i>						
United Kingdom	205	17.8	8.7	217	31.1	14.3
Europe	43	2.3	5.3	46	3.9	8.5
Canada	6	0.6	10.0	7	0.7	10.0
	<u>254</u>	<u>20.7</u>	8.1	<u>270</u>	<u>35.7</u>	13.2
Total	<u>660</u>	<u>23.1</u>	3.5	<u>744</u>	<u>65.6</u>	8.8
Publishing and Printing						
<i>IPC (Magazines and Books)</i>						
United Kingdom	343	18.5	5.4	321	23.3	7.3
USA	58	5.9	10.2	56	3.5	6.2
Rest of World	<u>12</u>	<u>1.5</u>	12.5	<u>12</u>	<u>1.1</u>	9.2
	<u>413</u>	<u>25.9</u>	6.3	<u>389</u>	<u>27.9</u>	7.2
<i>MGN (Newspapers)</i>						
United Kingdom	<u>220</u>	<u>12.1</u>	5.5	<u>186</u>	<u>7.0</u>	3.8
Total	<u>633</u>	<u>38.0</u>	6.0	<u>575</u>	<u>34.9</u>	6.1
Building and Home Improvements						
<i>RDP (Decorative Products)</i>						
United Kingdom	179	(11.7)	(6.5)	197	(2.8)	(1.4)
Europe	24	1.4	5.8	25	1.4	5.6
USA	22	(6.6)	(30.0)	25	(0.2)	(0.8)
Canada	26	2.4	9.2	29	1.6	5.5
Rest of World	<u>4</u>	<u>0.4</u>	10.0	<u>4</u>	<u>0.4</u>	10.0
	<u>255</u>	<u>(14.1)</u>	(5.5)	<u>280</u>	<u>0.4</u>	0.1
<i>RBP (Building Products)</i>						
United Kingdom	77	6.6	8.6	70	7.4	10.6
Europe	<u>47</u>	<u>3.0</u>	6.4	<u>51</u>	<u>2.9</u>	5.7
	<u>124</u>	<u>9.6</u>	7.7	<u>121</u>	<u>10.3</u>	8.5
Total	<u>379</u>	<u>(4.5)</u>	(1.2)	<u>401</u>	<u>10.7</u>	2.7
Summary						
United Kingdom	1,305	28.2	2.2	1,287	72.7	5.6
Europe	139	7.8	5.6	157	9.7	6.2
USA	100	—	—	102	4.8	4.7
Canada	112	18.7	16.7	145	26.1	18.0
Rest of World	<u>16</u>	<u>1.9</u>	11.9	<u>29</u>	<u>(2.1)</u>	(7.2)
	<u>1,672</u>	<u>56.6</u>	3.4	<u>1,720</u>	<u>111.2</u>	6.5
Inter-Company Sales	(192)			(204)		
Central Costs (net of property sales)		(1.6)			(4.5)	
Total	<u>1,480</u>	<u>55.0</u>	3.7	<u>1,516</u>	<u>106.7</u>	7.0

Statistics for Ten Years

£ million

	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
Sales										
Excluding inter-company sales	1,480	1,516	1,611	1,623	1,488	1,064	969	734	598	534
Profits										
Trading profit – HCA	55	107	107	106	96	50	88	69	48	39
– CCA	10	50	53	58	29					
Associated companies	3	4	6	10	14	11	14	10	6	4
Interest	8	11	29	35	35	24	17	13	11	13
Profit before taxation – HCA	50	100	83	81	75	37	85	66	43	30
– CCA	12	55	45	51	35					
Profit after taxation	39	76	47	36	34	15	45	35	25	17
Outside shareholders' interests	1	1	4	8	7	2	4	2	1	1
Profit after taxation and extraordinary items	23	75	33	(14)	20	11	38	34	24	16
* Dividends	15	15	9	9	15	10	9	9	8	11
Capital Invested										
Ordinary shareholders' funds	494	491	430	416	408	355	351	331	298	251
Preference shares	4	4	4	4	4	4	4	4	4	4
Outside shareholders' interests	5	18	21	50	62	50	26	21	17	16
Loan capital	186	216	311	377	399	300	221	191	169	138
Deferred taxation					43	28	25	11	5	6
Total funds invested – HCA	689	729	766	847	916	737	627	558	493	415
– CCA	822	845	914	994	1,048					
Capital Utilisation										
Fixed assets	345	229	274	317	340	260	205	183	164	170
Investments	19	27	28	59	99	100	90	84	73	38
Goodwill	62	160	153	173	185	170	159	135	132	126
Net working capital	218	212	226	305	327	261	209	149	109	112
Net short term deposits (borrowings)	45	101	85	(7)	(35)	(54)	(36)	7	15	(31)
Total	689	729	766	847	916	737	627	558	493	415
	<i>Thousands</i>									
Number of shareholders	52	58	65	73	76	79	84	87	89	95
Number of employees	58	61	68	83	86	87	83	82	80	80
	<i>Pence</i>									
† Earnings per ordinary share	34.1	66.7	38.0	24.8	25.8	14.0	44.4	35.3	25.9	17.8
† Dividends per ordinary share with tax credit	18.6	18.6	11.6	12.1	20.0	16.7	15.2	13.5	12.8	12.2

* Cost excluding advance corporation tax.

† Figures adjusted to reflect 1976/77 rights issue.

1981 results are for the 52 weeks to 29 March 1981 [note 1](#).

The accounting policy for deferred taxation changed in 1978. Prior years are not restated.

